

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **SAN MIGUEL BREWERY HONG KONG LTD.**

**香港生力啤酒廠有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 236)

### **CONTINUING CONNECTED TRANSACTIONS EXTENSION OF THE NEPTUNIA SUB-LICENCE AGREEMENT**

The Company has been granted a sub-licence by Neptunia to use certain trademarks pursuant to the Neptunia Sub-licence Agreement. The Neptunia Sub-licence Agreement was entered into by the Company and Neptunia on 1 January 1979 and will expire on 1 January 2009.

The Extension Letter was entered into between Neptunia and the Company to extend the term of the Neptunia Sub-licence Agreement for one year from 1 January 2009 to 31 December 2009.

It is expected that no royalty or any other fee will be payable by the Group to the San Miguel Group under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) unless the Company resumes its beer production in Hong Kong and/or the basis on which the amount of royalty calculated under the Neptunia Sub-licence Agreement is changed, where, the Company will make a further announcement and comply with the applicable requirements as required under the Listing Rules.

#### **THE EXTENSION OF THE NEPTUNIA SUB-LICENCE AGREEMENT**

Reference is made to the 2007 Announcement of the Company dated 19 September 2007 regarding, among other things, the Neptunia Sub-licence Agreement entered into by the Company and Neptunia. As set out in the 2007 Announcement, the Neptunia Sub-licence Agreement will expire on 1 January 2009.

The Extension Letter was signed by Neptunia on 10 December 2008 and by the Company on 17 December 2008 to extend the term of the Neptunia Sub-licence Agreement for one year from 1 January 2009 to 31 December 2009 at nil consideration. Save for such extension, all other terms of the Neptunia Sub-licence Agreement remain unchanged as summarised below.

## MAJOR TERMS OF THE NEPTUNIA SUB-LICENCE AGREEMENT (AS EXTENDED BY THE EXTENSION LETTER)

- Term: Up to 31 December 2009, and thereafter is renewable for another term of 5 years subject to the Company complying with the relevant requirements of the Listing Rules
- Licensor: Neptunia, an investment holding company and is engaged in the provision of management and agency services
- Licensee: The Company
- Trademarks and territory:
- (i) exclusive for the production, sale and distribution of “San Miguel” beer in Hong Kong
  - (ii) exclusive for the sale and distribution of “San Miguel” beer in Macau
  - (iii) non-exclusive only for the importation, sale and distribution in China, Guam and Vietnam of “San Miguel” pilsener beer produced in Hong Kong by the Licensee
  - (iv) exclusive for the production, sale and distribution of “SUN LIK” beer in Hong Kong; exclusive for the importation, sale and distribution of “SUN LIK” beer in Macau and the continental United States, such beer to be produced in Hong Kong by the Licensee
- Royalty rates: Royalties payable under the Neptunia Sub-licence Agreement is calculated based on the amount of beer produced by the Company (but not its subsidiaries) in the following scale:
- From 0 HL up to 1,000,000 HL per annum — US\$0.10 per HL;
  - From 1,000,001 HL up to 2,000,000 HL per annum — US\$0.075 per HL;
  - From 2,000,001 HL up to 5,000,000 HL per annum — US\$0.05 per HL;
  - From 5,000,001 HL and above per annum — US\$0.025 per HL;
- to be paid by the Licensee to Licensor, net of any and all taxes or assessments which are borne by the Licensee, on an annual basis
- Payment terms: Calculated annually and payable in US dollars within 30 days after the last day of each calendar year (with no late payment charges)

For the years ended 31 December 2006 and 2007 and the 11 months’ period from 1 January 2008 to 30 November 2008, the royalties payable to Neptunia under the Neptunia Sub-licence Agreement amounted to approximately HK\$165,009, HK\$148,267 and nil respectively.

As stated above, any royalty payable under the Neptunia Sub-licence Agreement is calculated based on the amount of beer produced by the Company using the relevant licensed trademarks in the relevant territories. The Company has ceased its beer production operation last year, whilst the Group continues to produce beer products in Mainland China through its subsidiary. Since then, no royalty is payable by the Company to Neptunia under the Neptunia Sub-licence Agreement because the beer products sold or distributed by the Group are no longer produced by the Company. The Company expects that no royalty or any other fee will be payable by the Group to the San Miguel Group under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) unless the Company resumes its beer production in Hong Kong and/or the basis on which the amount of royalty calculated under the Neptunia Sub-licence Agreement is changed.

The terms of the Neptunia Sub-licence Agreement and the Extension Letter were agreed after arm's length negotiations between Neptunia and the Company and are on normal commercial terms.

## **REASONS FOR THE TRANSACTIONS**

The principal business activities of the Group are the production and/or distribution of bottled, canned and draught beers and other beverage products. Most of the products of the Group are marketed under various brand names owned by the San Miguel Group, including those under the Neptunia Sub-licence Agreement. As disclosed above, the Extension Letter was entered into by the Company and Neptunia for the purpose of extending the term of the Neptunia Sub-licence Agreement and allowing the Company to continue to use the relevant trademarks to distribute and sell its beer products in the relevant territories as specified in the Neptunia Sub-licence Agreement. Such ability by the Company to continue the use of the relevant trademarks under the Neptunia Sub-licence Agreement is essential to the principal business of the Company.

The Directors (including the independent non-executive Directors) consider the terms of the Neptunia Sub-licence Agreement (as extended by the Extension Letter) are fair and reasonable and on normal commercial terms and that the transactions thereunder are in the interests of the Company and the shareholders of the Company as a whole.

## **CONTINUING CONNECTED TRANSACTIONS**

SMC is the ultimate controlling shareholder of the Company and through Neptunia, it holds 245,720,800 Shares representing approximately 65.78% of the issued share capital of the Company. Neptunia is a wholly-owned subsidiary of SMC and thus is a connected person of the Company. Accordingly, the licensing arrangement under the Neptunia Sub-licence Agreement constitutes a continuing connected transaction for the Company.

As disclosed in the 2007 Announcement, the Group has also entered into other licence/sub-licence agreements with certain other members of the San Miguel Group. For the purpose of complying the continuing connected transactions requirements under Chapter 14A of the Listing Rules, transactions with the San Miguel Group under the SMC Group Licensing Arrangements (including the SMIL Trademark Licensing Agreement, the Neptunia Sub-licence Agreement and the SMBIL Sub-licence Agreement) are aggregated as a series of transactions. At the time of the 2007 Announcement, the SMC Group Licensing Arrangements were subject to, and the Company has complied with, the reporting and announcement requirements under Chapter 14A of the Listing Rules. The terms of all other licensing arrangements (including the SMIL Trademark Licensing Agreement and the SMBIL Sub-licence Agreement) and the aggregate annual cap of less than HK\$10 million for the SMC Group Licensing Arrangements during the remaining term of the agreements under the SMC Group Licensing Arrangements remain unchanged.

The Extension Letter was entered into at nil consideration and it is expected that no royalty or any other fee will be payable by the Group to the San Miguel Group under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) (unless the Company resumes its beer production in Hong Kong and/or the basis on which the amount of royalty calculated under the Neptunia Sub-licence Agreement is changed). As such, the transactions under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) shall be exempt from the independent shareholders' approval requirement.

As set out in the Company's annual report for the financial year ended 31 December 2007, the management of the Company plans to resume the brewing operations of its plant in Hong Kong in 2009. Depending on the progress on such future business plan, the Company is also set to review and negotiate with SMC in respect of the terms of the Neptunia Sub-licence Agreement. Should the Company resume its brewing operations in Hong Kong and/or enter into any new agreement with Neptunia and/or other members of the San Miguel Group to amend the terms of the Neptunia Sub-licence Agreement in the future, the Company will make a further announcement and comply with the applicable requirements as required under the Listing Rules.

## DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“2007 Announcement”	announcement of the Company dated 19 September 2007 regarding, among other things, the Neptunia Sub-licence Agreement entered into between the Company and Neptunia, the SMIL Trademark Licensing Agreement and the SMBIL Sub-licence Agreement, all being agreements entered into with members of the San Miguel Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extension Letter”	a letter agreement dated 10 December 2008 entered into between Neptunia and the Company to extend the term of the Neptunia Sub-licence Agreement to 31 December 2009
“Group”	the Company and its subsidiaries

“GSMB”	Guangzhou San Miguel Brewery Company Limited, a sino-foreign joint venture entity established in the PRC with limited liability, which is an indirectly owned subsidiary of the Company held as to 70% by San Miguel (Guangdong) Limited (a non wholly-owned subsidiary of the Company) and as to 30% by Guangzhou Brewery (a state-owned enterprise established in the PRC)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HL”	hectolitre
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Neptunia”	Neptunia Corporation Limited, an indirect wholly-owned subsidiary of SMC
“Neptunia Sub-licence Agreement”	the sub-licence agreement between Neptunia, as licensor, and the Company (formerly known as San Miguel Brewery Limited), as licensee, dated 1 January 1979
“PRC”	the People’s Republic of China
“San Miguel Group”	SMC and its associates (excluding the Group)
“Shares”	shares of HK\$0.50 each in the Company
“SMBIL”	San Miguel Brewing International Limited, an indirect wholly-owned subsidiary of SMC
“SMBIL Sub-licence Agreement”	the sub-licence agreement between SMGB (formerly known as San Miguel Shunde Brewery Co., Limited), as licensee, and SMBIL, as licensor dated 25 January 1999, as amended and supplemented by (i) the addendum dated 25 January 1999 and (ii) the amendment to the addendum to the sub-licence agreement dated 8 October 1999
“SMC”	San Miguel Corporation, the ultimate controlling shareholder of the Company
“SMC Group Licensing Arrangements”	the SMIL Trademark Licensing Agreement, the Neptunia Sub-licence Agreement and the SMBIL Sub-licence Agreement
“SMGB”	San Miguel (Guangdong) Brewery Company Limited, a company incorporated in the PRC with limited liability and a 92% indirectly owned subsidiary of the Company

“SMIL”	San Miguel International Limited, a wholly-owned subsidiary of SMC
“SMIL Trademark Licensing Agreement”	the trademark licensing agreement entered into between SMIL and GSMB on 3 November 1990, as amended by a supplemental agreement dated 29 September 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars

By Order of the Board  
**John K.L. Cheung**  
*Company Secretary*

Hong Kong, 24 December 2008

*As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes B. Bibonia, Mr. Cheung Yuen Tak, Mr. Ferdinand K. Constantino, Mr. Thelmo Luis O. Cunanan Jr. and Ms. Jesusa Victoria Hernandez-Bautista; and the independent non-executive directors, Dr. The Hon. Sir. David K. P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.*