

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in San Miguel Brewery Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



# 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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to San Miguel Brewery Hong Kong Limited  
**OSK Capital Hong Kong Limited**

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders



CIMB-GK Securities (HK) Limited

---

A letter from the board of directors of San Miguel Brewery Hong Kong Limited is set out on pages 4 to 9 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 10 of this circular. A letter from CIMB-GK Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 15 of this circular.

A notice convening an extraordinary general meeting of San Miguel Brewery Hong Kong Limited to be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 16 June 2009, Tuesday at 3:30 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) is set out on pages 25 to 26 of this circular. A form of proxy for use by the Independent Shareholders at the extraordinary general meeting is also enclosed. Whether or not you propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

29 May 2009

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions .....</b>	1
<b>Letter from the Board .....</b>	4
<b>Letter from the Independent Board Committee .....</b>	10
<b>Letter from CIMB-GK.....</b>	11
<b>Appendix — General information .....</b>	16
<b>Notice of EGM.....</b>	25

---

## DEFINITIONS

---

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“2005 Agreement”	the agreement dated 11 March 2005 entered into between the Company and SMC in respect of, inter alia, the Packaged Beer Sales
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cap(s)”	the maximum annual aggregate value for the Continuing Connected Transactions under the New Agreement for the two years ending 31 December 2010
“CIMB-GK”	CIMB-GK Securities (HK) Limited, licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Company”	San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed in the Stock Exchange
“Continuing Connected Transactions”	the continuing connected transactions in relation to sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group, provided that the sales or distribution of packaged beer and malt-based beverages shall not be carried out in the Philippines, unless such business is carried out through San Miguel Brewery, Inc., a non wholly-owned subsidiary of SMC (the shares of which are listed on the Philippine Stock Exchange, Inc.) and is the major brewery arm of the San Miguel Group in the Philippines
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 16 June 2009, Tuesday, at 3:30 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) to consider, and if thought fit, approve the New Agreement, the Continuing Connected Transactions and the Caps

---

## DEFINITIONS

---

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising Dr. The Hon. Sir. David K. P. Li, Mr. Romulo L. Neri, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the New Agreement, the Continuing Connected Transactions and the Caps
“Independent Shareholders”	the shareholders of the Company, other than SMC and its associates
“Latest Practicable Date”	26 May 2009, being the latest practicable date for ascertaining certain information contained in this circular
“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
“New Agreement”	the agreement dated 11 May 2009 entered into between the Company and SMC in respect of the Continuing Connected Transactions
“Packaged Beer Sales”	sales of packaged beer by the Group to the San Miguel Group
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“San Miguel Group”	SMC and its associates, excluding the Group, for the purpose of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

---

## DEFINITIONS

---

“SMC”	San Miguel Corporation, the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

---

## LETTER FROM THE BOARD

---



# 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)

*Executive Director:*

Peter K. Y. Tam, *Managing Director*

*Non-Executive Directors:*

Ramon S. Ang, *Chairman*

Faustino F. Galang, *Deputy Chairman*

Carlos Antonio M. Berba

Minerva Lourdes B. Bibonia

Cheung Yuen Tak

Thelmo Luis O. Cunanan Jr.

Jesusa Victoria Hernandez-Bautista

*Registered office and  
principal place of business  
in Hong Kong:*

9th Floor

Citimark Building

28 Yuen Shun Circuit

Siu Lek Yuen

Shatin, New Territories

Hong Kong

*Independent Non-Executive Directors:*

David K. P. Li, GBM, JP (alternate: Adrian M. K. Li)

Romulo L. Neri

Ng Wai Sun

Carmelo L. Santiago

29 May 2009

*To the Shareholders*

Dear Sir or Madam,

## **CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **INTRODUCTION**

The principal business activities of the Group are the production and distribution of bottled, canned and draught beers and other beverage products. The Company is a non wholly-owned subsidiary of SMC. SMC is the largest publicly listed food, beverage, and packaging company in Southeast Asia and has over 90 major facilities throughout the Asia Pacific.

---

## LETTER FROM THE BOARD

---

The Group used to sell packaged beer to the San Miguel Group in the ordinary and usual course of business of the Group. As set out in the announcement and the circular of the Company dated 11 March 2005 and 21 March 2005, respectively, the Company and SMC entered into the 2005 Agreement on 11 March 2005 to record, among other things, the terms of the Packaged Beer Sales for a term up to 31 December 2007. The Independent Shareholders approved at an extraordinary general meeting held on 7 April 2005 the entering into by the Company and SMC of the 2005 Agreement. The packaged beer sold by the Group to the San Miguel Group under the 2005 Agreement was produced at the Company's Hong Kong plant. The operations of the Company's Hong Kong plant ceased in 2007. After the cessation in 2007, the Packaged Beer Sales have also discontinued.

It was set out in the annual report of the Company for the year ended 31 December 2007 that the management of the Company planned to resume the operations of its plant in Hong Kong in 2009. The Hong Kong plant has re-started its operation since April 2009. As a result of the resumption of the operations of the Company's Hong Kong plant, the Company expects to resume the Packaged Beer Sales as well as to sell some other non-alcoholic beverage products to be produced by the Group at its Hong Kong plant to the San Miguel Group.

On 11 May 2009, the Company and SMC entered into the New Agreement to record the terms under which the sales of packaged beer and non-alcoholic beverage products by members of the Group to members of the San Miguel Group (i.e. the Continuing Connected Transactions) will be carried out and to set Caps for the Continuing Connected Transactions for the two years ending 31 December 2010.

The purpose of this circular is to provide you with further details of the Continuing Connected Transactions, the New Agreement and the Caps. An independent board committee comprising Dr. The Hon. Sir. David K. P. Li, Mr. Romulo L. Neri, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago has been established to advise the Independent Shareholders in respect of the terms of the New Agreement, the Continuing Connected Transactions and the Caps. CIMB-GK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders. A letter from the Independent Board Committee is set out on page 10 of this circular and a letter from CIMB-GK is set out on pages 11 to 15 of this circular.

The EGM will be convened to seek Independent Shareholders' approval for the terms of the New Agreement, the Continuing Connected Transactions and the Caps. In view of the interest of the San Miguel Group in the Continuing Connected Transactions, SMC and its associates (as defined in the Listing Rules), which control approximately 65.78% of the issued share capital of the Company, will abstain from voting at the EGM in this regard.

---

## LETTER FROM THE BOARD

---

### **THE NEW AGREEMENT**

#### **Date**

11 May 2009

#### **Parties**

The Company and SMC

#### **Continuing Connected Transactions**

Under the New Agreement, the Group will enter into the Continuing Connected Transactions with the San Miguel Group for sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group.

#### **Term**

The New Agreement shall become effective on the date of the agreement and expire on 31 December 2010. The Continuing Connected Transactions and the Caps are subject to approval from the Independent Shareholders. In the event that the Continuing Connected Transactions and the Caps are not approved by the Independent Shareholders, the Company shall have the right to terminate the New Agreement.

#### **Pricing**

Under the New Agreement, the prices receivable by the Group for the packaged beer and non-alcoholic beverage products sold to the San Miguel Group shall be determined in the ordinary and usual course of business based on the Group's production cost plus profit margins. Such profit margins are determined with reference to profit margins which are no less favourable to the Group than those charged by the Group to independent third party customers in respect of the sales of similar packaged beer and non-alcoholic beverage products, and if no such comparable profit margins are available, the profit margins shall be determined by arm's length negotiations between the Group and the San Miguel Group based on reasonable commercial principles.

The credit terms offered by the Group for the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group shall be determined by reference to the credit terms offered by the Group to its independent third party customers, and if no such comparable credit terms are available, the credit terms shall be determined by arm's length negotiations between the Group and the San Miguel Group based on reasonable commercial principles.



## LETTER FROM THE BOARD

### REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As mentioned above, the management of the Company has resumed the operations of its Hong Kong plant in April 2009 for the production of beer and other non-alcoholic beverage products. The Group plans to sell such beer and non-alcoholic beverage products overseas to widen its income source. However, the Group does not have an international sales force outside Hong Kong and Macau. The Group is able to reach customers in export markets through the San Miguel Group which markets and sells products to customers through its international sales channels. Accordingly, the Group may sell its products to the San Miguel Group to certain export markets where the Group will also avoid taking exchange rate risk and counterparty risk with the ultimate customers in the relevant export markets. The Company expects such arrangement will help broaden market shares of the Company's products overseas.

### HISTORICAL VALUES AND ANNUAL CAPS

Set out below is a summary of (i) the relevant annual cap amounts and the actual amounts for the Continuing Connected Transactions contemplated under the 2005 Agreement for each of the three years ended 31 December 2007 and (ii) the proposed Caps for each of the two years ending 31 December 2010 under the New Agreement:

<i>HK\$'000</i>	2005 Agreement (note 1)								New Agreement	
	Year ended 31 December 2005		Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008		Caps for the two years ending 31 December 2010 under the New Agreement	
	Actual amount (audited)	Cap amount	Actual amount (audited)	Cap amount	Actual amount (audited)	Cap amount	Actual amount	Cap amount	2009	2010
Sales of packaged beer and/or non-alcoholic beverage products by the Group to the San Miguel Group	40,490	46,100	23,373	53,600	4,346	60,700	Nil	Nil	105,954	183,583

*Note 1:* The 2005 Agreement expired on 31 December 2007. No Packaged Beer Sales took place in 2008.

The Directors do not consider the historic transaction value a relevant factor for determining the Caps as the Packaged Beer Sales slowed down gradually and ceased in 2007 and thereafter the market has been changing.

The proposed Caps were determined by reference to a number of factors such as the expected demand for the Group's products and the Company's expectations on the demand for the Group's packaged beer products and non-alcoholic beverage products for export markets after having discussed with the San Miguel Group, the expected costs of production and distribution and the expected selling margin.

---

## LETTER FROM THE BOARD

---

A buffer of 10% has been built in when the Caps were determined with a view to taking into account possible further market demand and potential fluctuation in the Group's production costs.

### EGM

The San Miguel Group controls approximately 65.78% of the issued share capital of the Company. SMC and its associates are therefore connected persons of the Company for the purposes of the Listing Rules. The Continuing Connected Transactions under the New Agreement constitute non-exempt continuing connected transactions under the Listing Rules and are subject to the annual review requirements under Rules 14A.37 to 14A.39 and the reporting requirements under Rules 14A.45 to 14A.47 and are subject to the approval of the Independent Shareholders requirements under Rule 14A.48 of the Listing Rules.

EGM will be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 16 June 2009, Tuesday, at 3:30 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) to seek Independent Shareholders' approval for the terms of the New Agreement, the Continuing Connected Transactions and the Caps. An ordinary resolution will be proposed to approve the New Agreement, the Continuing Transactions and the Caps at the EGM. The notice convening the EGM is set out on pages 25 to 26 of this circular.

In view of the interest of the San Miguel Group in the Continuing Connected Transactions, SMC and its associates (as defined in the Listing Rules), which control approximately 65.78% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 June 2009, Wednesday to 9 June 2009, Tuesday (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 5:00 p.m. on 2 June 2009, Tuesday.

A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

The Directors consider that the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and the terms of the New Agreement (including the Caps) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 10 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Continuing Connected Transactions and (ii) the letter from CIMB-GK set out on pages 11 to 15 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the principal factors considered by CIMB-GK in arriving at its recommendation.

### GENERAL

Your attention is drawn to the information set out elsewhere in this circular and in the appendix to it.

By order of the Board  
**San Miguel Brewery Hong Kong Limited**  
**Ramon S. Ang**  
*Chairman*

---

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



**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)

29 May 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 29 May 2009 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in respect of the Continuing Connected Transactions. CIMB-GK has been appointed as the independent financial adviser to advise us in respect of the Continuing Connected Transactions.

Having taken into account the advice from CIMB-GK, we consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and that the terms of the New Agreement (including the Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Agreement, the Continuing Connected Transactions and the Caps.

We also draw the attention of the Independent Shareholders to the letter from the Board, the letter from CIMB-GK and the appendix to the Circular.

Yours faithfully,

**Dr. The Hon. Sir. David K. P. Li**

**Mr. Romulo L. Neri**

**Mr. Ng Wai Sun**

**Mr. Carmelo L. Santiago**

*Independent Board Committee*

---

## LETTER FROM CIMB-GK

---



**CIMB**

**CIMB-GK Securities (HK) Limited**

25/F Central Tower  
28 Queen's Road Central  
Hong Kong

29 May 2009

*To the Independent Board Committee and the Independent Shareholders of  
San Miguel Brewery Hong Kong Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the New Agreement is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole together with whether the annual Caps, are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Details of the terms of the New Agreement are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 29 May 2009 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information and documents to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the New Agreement in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, the San Miguel Group or any of their respective associates.

---

## LETTER FROM CIMB-GK

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### Background and reasons

The principal business activities of the Group are the production and distribution of bottled, canned and draught beers and other beverage products. The Company is a non-wholly owned subsidiary of SMC. SMC is one of the largest publicly listed food, beverage, and packaging company in Southeast Asia and has over 90 major facilities throughout the Asia Pacific.

We noted that the Group used to sell packaged beer to the San Miguel Group in the ordinary and usual course of business of the Group. As set out in the announcement and the circular of the Company dated 11 March 2005 and 21 March 2005 respectively, the Company and SMC entered into the 2005 Agreement on 11 March 2005 to record, among other things, the terms of the Packaged Beer Sales for a term up to 31 December 2007. The Independent Shareholders approved at an extraordinary general meeting of the Company held on 7 April 2005 the entering into of the 2005 Agreement.

The packaged beer sold by the Group to the San Miguel Group was produced in the Company's Hong Kong plant. The operations of the Company's Hong Kong plant have ceased in 2007. After the cessation in 2007, the Packaged Beer Sales have also discontinued.

As noted from the letter from the Board, the management of the Company has resumed the operations of its Hong Kong plant in April 2009 for the production of beer and other non-alcoholic beverage products and the Group plans to sell such beer and non-alcoholic beverage products overseas to widen its income source. However, the Group does not have an international sales force outside Hong Kong and Macau. The Group is able to reach customers in these export markets through the San Miguel Group which markets and sells products to customers through its international sales channels. Accordingly, the Group may sell its products to the San Miguel Group to certain export markets where the Group will also avoid taking exchange rate risk and counterparty risk with the ultimate customers in the relevant export markets. The Company expects such arrangement help broaden market shares of the Company's products overseas.

We also noted from the annual report of the Company for the year ended 31 December 2007 that management planed to resume the operations of the Hong Kong plant in 2009, taking into account (i) management expects that the Group's business in Southern China will continue to grow and the Group's brewery in the PRC may not have sufficient production capacity to satisfy the demand of the Hong Kong and overseas markets; (ii) the inflation experienced in the PRC and the appreciation of the Renminbi, management expects that the production and operating costs of the PRC brewery may not be materially different from those of the Hong Kong plant in future and; (iii) the removal of excise duty levied on beer reduces the cost of beer produced in Hong Kong, the management believes that it will be necessary and makes economic sense to resume the operations of the Hong Kong plant in 2009.

---

## LETTER FROM CIMB-GK

---

Given the above and the fact that the nature of the Continuing Connected Transactions relates to the Group's principal business and operations, we consider the entering into of the New Agreement is in the interests of the Company and its Shareholders as a whole.

### **Basis of determination**

Pursuant to the New Agreement, the prices receivable by the Group for the packaged beer and non-alcoholic beverage products sold to the San Miguel Group shall be determined in the ordinary and usual course of business based on the Group's production cost plus profit margins. Such profit margins are determined with reference to profit margins which are no less favourable to the Group than those charged by the Group to independent third party customers in respect of the sale of similar type of products, and if no such comparable profit margins are available, the profit margins shall be determined by arm's length negotiations between the Group and the San Miguel Group based on reasonable commercial principle. In addition, under the New Agreement, the credit terms offered by the Group for the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group shall be determined by reference to the credit terms offered by the Group to its independent third party customers, and if no such comparable credit terms are available, the credit terms shall be determined by agreement between the parties based upon reasonable commercial principles. The New Agreement shall become effective on the date of the agreement and expire on 31 December 2010. The Continuing Connected Transactions and the Caps are subject to approval from the Independent Shareholders. In the event that the Continuing Connected Transactions and the Caps are not approved by the Independent Shareholders, the Company shall have the right to terminate the New Agreement.

As advised by the Directors of Company, the Group will charge the San Miguel Group a reasonable profit margin with reference to historical gross margin. We have reviewed the Company's historical records for sales of packaged beer to the San Miguel Group and independent third parties and noted that the net profit margin derived from the sales to the San Miguel Group is more favourable than that of the sales to the independent third parties.

In connection with the credit terms, as advised by the management of the Company, in general, the credit term offered to its third party customers is 30 days end of month; and such credit term will also be applied to the San Miguel Group for its purchase of packaged beer and non-alcoholic beverage products from the Group in 2009 and 2010 contemplated under the New Agreement.

### *View*

Based on aforesaid and our review on the Company's historical sales records, we are of the view that the terms of the New Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

---

## LETTER FROM CIMB-GK

---

### Caps

The following table sets out the respective proposed Caps for the New Agreement for the two years ending 31 December 2010.

<i>HK\$'000</i>	<b>Caps for the year ending 31 December</b>	
	<b>2009</b>	<b>2010</b>
Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group	105,954	183,583

As noted from the letter from the Board, the Directors do not consider the historic transaction value a relevant factor for determining the Caps as the Packaged Beer Sales slowed down gradually and ceased in 2007 and the market has been changing.

Based on our discussion with the management of the Company, we have been advised that the proposed Caps have been principally determined by the Directors with reference to the following factors:

- the expected demand for the Group's products and the expected demand for the Group's packaged beer products and non-alcoholic beverage products for export markets in 2009 and 2010;
- the expected cost of production and distribution and expected selling margin; and
- a buffer of 10% for the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group taking into account possible further market demand and potential fluctuation in the Group's production costs.

As advised by the management of the Company, it is expected that the Hong Kong plant will commence selling of products to the San Miguel Group in June 2009. In this regard, the 2009 cap will only covers sales of 7 months in 2009, whilst the 2010 cap will cover a full 12-month period.

To assess the fairness and reasonableness of the annual Caps, we have reviewed (i) the internal sales volume projection of the Group provided by the management of the Company for the sales of packaged beer and/or non-alcoholic beverage products to the San Miguel Group in 2009 and 2010; (ii) the costs projection for various materials used for the production of packaged beer and non-alcoholic beverage product for 2009 and 2010 respectively; and (iii) the production capacity of the Hong Kong plant for 2009 and 2010. We also note that the expected selling margin charge to the San Miguel Group was determined by the Directors based on the historical selling margin. Based on our discussion with the management of the Company, we have been advised that the management of the Company will conduct regular review on the selling margin for the sales of the packaged beer products and non-alcoholic beverage products to the San Miguel Group in order to monitor, if any adjustment should be made on the selling price so as to maintain the expected selling margin.



---

## LETTER FROM CIMB-GK

---

### *Views*

Given the above factors considered by the Directors in determining the Caps and based on the information we have reviewed, we are of the view that the annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. However, as the annual Caps relates to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2010, consequently, we express no opinion as to how closely the actual amounts to be incurred under the Continuing Connected Transactions contemplated under the New Agreement will correspond with the annual Caps.

### **RECOMMENDATION**

Having considered the principal factors and reasons referred to the above, we consider that the New Agreement is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and the terms thereof, together with the annual Caps, are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Continuing Connected Transactions contemplated under the New Agreement and the annual Caps.

Yours faithfully,  
For and on behalf of

**CIMB-GK Securities (HK) LIMITED**

**Alex Lau**

*Director*

*Head of Corporate Finance*

**Mabel Lam**

*Senior Vice President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

#### (1) *Interests in issued share capital*

Name	Number of ordinary shares of HK\$0.50 each in the Company	
	Number of shares held	% of total issued shares
David K. P. Li	500,000	0.13%

Name	Number of common shares in San Miguel Corporation	
	Number of shares held	% of total issued shares
<b>Class A (par value of 5 pesos each):</b>		
Ramon S. Ang	6,050	0.000192%
Faustino F. Galang	83,800	0.002655%
Carlos Antonio M. Berba	1,045	0.000033%
Minerva Lourdes B. Bibonia	30,000	0.000950%
Carmelo L. Santiago	5,000	0.000158%

#### **Class B (par value of 5 pesos each):**

Faustino F. Galang	60,000	0.001901%
Minerva Lourdes B. Bibonia	30,000	0.000950%

(2) *Interests in underlying shares*

Certain Directors have been granted share options to subscribe for shares in SMC. Particulars of share options in SMC held by Directors as at the Latest Practicable Date were as follows:

Name	Stock options in San Miguel Corporation			
	Date granted	Exercise period up to	Exercise price per option (pesos)	Share options granted
<b>Class A (par value of 5 pesos each):</b>				
Ramon S. Ang	26/06/2003	26/06/2011	54.50	259,422
	01/10/2004	01/10/2012	57.50	266,854
	10/11/2005	10/11/2013	65.00	204,654
	01/03/2007	01/03/2015	63.50	993,386
	26/06/2008	26/06/2016	40.50	535,923
Carlos Antonio M. Berba	01/10/2004	01/10/2012	57.50	8,168
	10/11/2005	10/11/2013	65.00	20,566
	01/03/2007	01/03/2015	63.50	127,058
	26/06/2008	26/06/2016	40.50	76,374
Minerva Lourdes B. Bibonia	26/06/2003	26/06/2011	54.50	11,928
	01/10/2004	01/10/2012	57.50	26,750
	10/11/2005	10/11/2013	65.00	33,824
	01/03/2007	01/03/2015	63.50	180,898
	26/06/2008	26/06/2016	40.50	96,138

<b>Stock options in San Miguel Corporation</b>				
<b>Name</b>	<b>Date granted</b>	<b>Exercise period up to</b>	<b>Exercise price per option (pesos)</b>	<b>Share options granted</b>
<b>Class A (par value of 5 pesos each):</b>				
(Continued)				
Peter K.Y. Tam	26/06/2003	26/06/2011	54.50	17,452
	01/10/2004	01/10/2012	57.50	17,039
	10/11/2005	10/11/2013	65.00	909
<b>Class B (par value of 5 pesos each):</b>				
Ramon S. Ang	26/06/2003	26/06/2011	62.50	111,181
	01/10/2004	01/10/2012	70.50	114,366
	10/11/2005	10/11/2013	89.50	136,436
	01/03/2007	01/03/2015	75.50	662,258
	26/06/2008	26/06/2016	40.50	229,680
Carlos Antonio M. Berba	01/10/2004	01/10/2012	70.50	3,508
	10/11/2005	10/11/2013	89.50	13,710
	01/03/2007	01/03/2015	75.50	84,706
	26/06/2008	26/06/2016	40.50	32,730

<b>Stock options in San Miguel Corporation</b>				
<b>Name</b>	<b>Date granted</b>	<b>Exercise period up to</b>	<b>Exercise price per option (pesos)</b>	<b>Share options granted</b>
<b>Class B (par value of 5 pesos each):</b>				
(Continued)				
Minerva Lourdes B. Bibonia	26/06/2003	26/06/2011	62.50	5,112
	01/10/2004	01/10/2012	70.50	11,464
	10/11/2005	10/11/2013	89.50	22,550
	01/03/2007	01/03/2015	75.50	120,598
	26/06/2008	26/06/2016	40.50	41,202
Peter K.Y. Tam	26/06/2003	26/06/2011	62.50	7,480
	01/10/2004	01/10/2012	70.50	7,303
	10/11/2005	10/11/2013	89.50	606

All interests in the shares and underlying shares of the Company and its associated corporations stated above are long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

**(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of members of the Group**

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons's/corporation's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Substantial shareholders	Ordinary shares of HK\$0.50 each in the Company	
	Number of ordinary shares held	% of total issued shares
San Miguel Corporation ( <i>note 1</i> )	245,720,800	65.78%
San Miguel International Limited ( <i>note 1</i> )	245,720,800	65.78%
San Miguel Holdings Limited ( <i>note 1</i> )	245,720,800	65.78%
San Miguel Brewing International Limited ( <i>note 1</i> )	245,720,800	65.78%
Neptunia Corporation Limited ( <i>note 1</i> )	245,720,800	65.78%
Cheung Kong (Holdings) Limited ( <i>note 2</i> )	23,703,000	6.34%
Li Ka-Shing Unity Trustee Company Limited ( <i>note 2</i> ) (as trustee of The Li Ka-Shing Unity Trust)	23,703,000	6.34%
Li Ka-Shing Unity Trustcorp Limited ( <i>note 2</i> ) (as trustee of another discretionary trust)	23,703,000	6.34%
Li Ka-Shing Unity Trustee Corporation Limited ( <i>note 2</i> ) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	23,703,000	6.34%
Li Ka-Shing ( <i>note 2</i> )	23,703,000	6.34%

*Notes:*

- (1) 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 of Neptunia Corporation Limited (“Neptunia”) 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.
- (2) Mr. Li Ka-Shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”). Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust (“UT1”) but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trusts. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of UT1, together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Conroy Assets Limited and Hamstar Profits Limited.

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is only interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its function as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-Shing (being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO), TUT1, TDT1, TDT2, and CKH is deemed to be interested in the 23,703,000 shares of the Company of which 13,624,600 shares are held by Conroy Assets Limited and 10,078,400 shares are held by Hamstar Profits Limited.

All the above interests in the shares and underlying shares of the Company are long positions.

- (3) The following Directors are directors/employees of companies which have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Mr. Ramon S. Ang is the Vice Chairman, President and Chief Operating Officer of SMC, director of SMIL and SMHL. Mr. Carlos Antonio M. Berba is the Chairman and General Manager of SMBIL, and director of SMBIL and Neptunia. Ms. Minerva Lourdes B. Bibonia is a director of SMBIL. Mr. Carmelo L. Santiago is an independent director of SMC.

As at the Latest Practicable Date, the following corporation was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the following member of the Group:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>% of interest in subsidiary</b>
Guangzhou San Miguel Brewery Company Limited	Guangzhou Brewery	30%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

### 3. SERVICE CONTRACTS

Pursuant to an agreement dated 12 June 1963, Neptunia Corporation Limited provides technical and advisory services to the Company and may be paid a General Managers' commission. Mr. Ramon S. Ang, Mr. Faustino F. Galang, Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes B. Bibonia, Mr. Peter K.Y. Tam and Mr. Carmelo L. Santiago are interested parties to this contract to the extent that they either have equity interests in or are directors and/or officers of SMC, the ultimate holding company of Neptunia Corporation Limited. General Managers' commission has not been paid by the Company or charged by Neptunia Corporation Limited since the 1995 financial year.



Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

#### **4. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and his/her associates had any interests which competed or was likely to compete, either directly or indirectly, with the Company's business.

#### **5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

#### **6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the section headed "Service Contracts" above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

#### **7. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinions or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
CIMB-GK Securities (HK) Limited	a licenced corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

CIMB-GK has made its letter for incorporation in this circular. CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, CIMB-GK was not interested in any Shares or share in any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, CIMB-GK did not have any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

## **8. GENERAL**

- (a) Mr. John Ka Lun Cheung is the chief finance officer, company secretary, service agent and authorised representative of the Company.

Mr. Cheung is a member of the Institute of Management Accountants. Mr. Cheung received a Master's degree and a Bachelor's degree, both in Business Administration, from Georgia State University, USA.

- (b) The Company's share registrar is Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's registered office, 9th Floor, Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong during normal business hours up to and including 16 June 2009:

- (a) the New Agreement;
- (b) the 2005 Agreement;
- (c) the circular of the Company dated 21 March 2005 in relation to the 2005 Agreement;
- (d) the agreement referred to in the section headed "Service Contracts" in this appendix;
- (e) the letter from CIMB-GK, the text of which is set out in this circular; and
- (f) the consent letter of CIMB-GK referred to in the section headed "Qualification and Consent of Expert" in this appendix.

---

## NOTICE OF EGM

---



# 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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of San Miguel Brewery Hong Kong Limited (the “Company”) will be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 16 June 2009, Tuesday at 3:30 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT:**

the agreement dated 11 May 2009 (the “Agreement”) entered into between San Miguel Corporation, the ultimate controlling shareholder of the Company, and the Company, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the proposed annual caps (the “Caps”) in relation to the transactions contemplated under the Agreement for each of the two financial years ending 31 December 2009 and 2010 as set out in the Company’s circular dated 29 May 2009 be and are hereby approved, and the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the Agreement and the Caps and the transactions thereby contemplated.”

By order of the Board  
**San Miguel Brewery Hong Kong Limited**  
**John Ka Lun Cheung**  
*Company Secretary*

Hong Kong, 29 May 2009

---

## NOTICE OF EGM

---

*Registered Office:*

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

*As at the date hereof, 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. 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. Romulo L. Neri, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.*

*Notes:*

1. Shareholders are entitled to appoint one or more proxies to attend and vote in their stead at the meeting. A proxy needs not be a shareholder of the Company.
2. To be valid, forms of proxy must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the meeting.
3. The register of members of the Company will be closed from 3 June 2009, Wednesday to 9 June 2009, Tuesday (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend the Extraordinary General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 5:00 p.m. on 2 June 2009, Tuesday.