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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 FURTHER 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 31 December 2009.

The Extension Letter was entered into between Neptunia and the Company to extend the term of the Neptunia Sub-licence Agreement for a further one year from 1 January 2010 to 31 December 2010. Operations of the Company's plant in Hong Kong ceased in September 2007 and were re-started in April 2009.

The Extension Letter was entered into at nil consideration and it is expected that the annual royalties payable by the Group under the Neptunia Sub-licence Agreement (as extended by the Extension Letter), when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group, including the SMIL Trademark Licensing Agreement and the SMBIL Sub-licence Agreement, shall be less than HK\$10 million for the year ending 31 December 2010, the transactions under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) are subject to reporting and announcement requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

FURTHER EXTENSION OF THE NEPTUNIA SUB-LICENCE AGREEMENT

Reference is made to the 2007 Announcement and the announcement of the Company dated 24 December 2008 regarding, among other things, the Neptunia Sub-licence Agreement entered into by the Company and Neptunia. As set out in the announcement of the Company dated 24 December 2008, the 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. Accordingly, the Neptunia Sub-licence Agreement will expire on 31 December 2009.

The Extension Letter was signed by Neptunia on 13 November 2009 and by the Company on 4 December 2009 to extend the term of the Neptunia Sub-licence Agreement for a further one year from 1 January 2010 to 31 December 2010 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 2010, 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)

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. As set out in the announcement of the Company dated 11 May 2009, the operations of the Company’s plant in Hong Kong ceased in September 2007 and was re-started in April 2009. For the years ended 31 December 2007 and 2008 and the 10-month period from 1 January 2009 to 31 October 2009, the royalties payable to Neptunia under the Neptunia Sub-licence Agreement amounted to approximately HK\$148,267, nil and HK\$51,000 respectively.

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 Group 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 after resumption of the operations of the Company's plant in Hong Kong, which is essential to the principal business of the Group.

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 trademark licensing and sub-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 the annual royalties payable by the Group under the Neptunia Sub-licence Agreement (as extended by the Extension Letter), when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group, including the SMIL Trademark Licensing Agreement and the SMBIL Sub-licence Agreement, shall be less than HK\$10 million for the year ending 31 December 2010. Accordingly, the transactions under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) are subject to reporting and announcement requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

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| “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 13 November 2009 entered into between Neptunia and the Company to further extend the term of the Neptunia Sub-licence Agreement to 31 December 2010 |
| “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” | hectoliter |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “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 |

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| “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, 8 December 2009

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. Thelmo Luis O. Cunanan, Jr., General Benjamin P. Defensor, 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.