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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 after 31 December 2014.

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 2015 to 31 December 2015. The Extension Letter was entered into at nil consideration.

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 various members of the San Miguel Group, including the Trademark Licensing Agreement and the SMBIL Sub-licence Agreement, shall be less than HK\$10 million for the year ending 31 December 2015. Accordingly, the transactions under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) are subject to the 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 Company's announcement dated 5 November 2013 in respect of the extension of the term of the Neptunia Sub-licence Agreement for one year from January 1, 2014 to 31 December 2014. The Extension Letter was signed by Neptunia and by the Company on 24 October 2014 to extend the term of the Neptunia Sub-licence Agreement for a further one year from 1 January 2015 to 31 December 2015. Save for the royalties which may be payable by the Company to Neptunia at the terms of the Neptunia Sub-licence Agreement, no consideration was paid/payable under the Extension Letter. Save for the extension of the term, all other terms of the Neptunia Sub-licence Agreement remain unchanged as summarised below.

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

- Term: Up to 31 December 2015, which may be renewed subject to the terms of the Neptunia Sub-licence Agreement and the Company complying with the relevant requirements of the Listing Rules
- Sub-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 the Sub-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. For the years ended 31 December 2012, 2013 and the nine (9)-month period from 1 January 2014 to 30 September 2014, the royalties payable to Neptunia under the Neptunia Sub-licence Agreement amounted to approximately HK\$147,000, HK\$129,000 and HK\$110,000 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 Group is the business arm of the San Miguel Group responsible for the production and/or distribution of bottled, canned and draught beers and other beverage products mainly in Hong Kong, Macau and China. Most of the products of the Group are marketed under various brand names owned by various members of the San Miguel Group, including those under the Neptunia Sub-licence Agreement. The “San Miguel” and “Sun Lik” brand names are essential to the Group’s sales. Members of the San Miguel Group are also selling their products in other parts of the world using, among others, the “San Miguel” brand name. The Group has obtained the right to use these brand names owned by the San Miguel Group through various licensing arrangements, including but not limited to, the Neptunia Sub-licence Agreement since 1979 as extended from time to time at substantiality the same terms.

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 to continue the use of the relevant trademarks to distribute and sell its beer products in the relevant territories as specified in the Neptunia Sub-licence Agreement.

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 ordinary and usual course of business of the Company and in the interests of the Company and the shareholders of the Company as a whole.

## **CONTINUING CONNECTED TRANSACTIONS**

SMC is an intermediate holding company of the Company and through Neptunia, it holds 245,720,800 Shares representing approximately 65.78% of the issued share capital of the Company and thus Neptunia 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.

The Group has also entered into other licence/sub-licence agreements with certain other members of the San Miguel Group, including the Neptunia Sub-licence Agreement as well as the Trademark Licensing Agreement and the SMBIL Sub-licence Agreement as detailed in the 2007 Announcement. For the purpose of complying with the continuing connected transactions requirements under Chapter 14A of the Listing Rules, transactions with the San Miguel Group under the San Miguel Group Licensing Arrangements (including the Trademark Licensing Agreement, the Neptunia Sub-licence Agreement and the SMBIL Sub-licence Agreement) are aggregated as a series of transactions. The terms of all other trademark licensing and sub-licensing arrangements (including the Trademark Licensing Agreement and the SMBIL Sub-licence Agreement) and the aggregate annual cap of less than HK\$10 million for the San Miguel Group Licensing Arrangements during the remaining term of the agreements under the San Miguel Group Licensing Arrangements remain unchanged, save for the licensor under the Trademark Licensing Agreement which has changed from SMIL to SMBIL after certain internal reorganizations within the San Miguel Group as disclosed in the Company’s announcement dated 1 April 2010. For the year ended 31 December 2013 and the nine (9)-month period ended 30 September 2014, the aggregate royalties payable by the Group under the San Miguel Group Licensing Arrangements amounted to HK\$129,000 and HK\$918,000 respectively.

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 Trademark Licensing Agreement and the SMBIL Sub-licence Agreement, shall be less than HK\$10 million for the year ending 31 December 2015. Accordingly, the transactions under the Neptunia Sub-licence Agreement (as extended by the Extension Letter) are only subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

Mr. Carlos Antonio M. Berba is a director of both the Company and Neptunia. Mr. Ramon S. Ang abstained from voting on the Board resolution to approve the entering into of the Extension Letter and the transactions contemplated under the Neptunia Sub-licence Agreement in compliance with Rule 14A.59 (18) of the Listing Rules in view of his substantial interest in the shares of SMC, a connected person of the Company. Further, as mentioned above, for the years ended 31 December 2012, 2013 and the nine (9)-month period from 1 January 2014 to 30 September 2014, the royalties payable to Neptunia under the Neptunia Sub-licence Agreement amounted to only approximately HK\$147,000, HK\$129,000 and HK\$110,000 respectively. As the transaction amount under the Neptunia Sub-licence Agreement is not material to the operations of the Group, Neptunia and SMC, the Company does not consider any Directors to have a material interest in the subject transaction under the Neptunia Sub-licence Agreement. Accordingly, other than Mr. Ramon S. Ang, none of the Directors abstained from voting on the Board resolution to approve the entering into of the Extension Letter and the transactions contemplated under the Neptunia Sub-licence Agreement in compliance with Rule 14A.59 (18) of the Listing Rules. The Board resolution was unanimously passed in the Board meeting.

## **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 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 24 October 2014 entered into between Neptunia and the Company to further extend the term of the Neptunia Sub-licence Agreement to 31 December 2015

“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
“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 non-wholly owned subsidiary of SMC
“Neptunia Sub-licence Agreement”	the sub-licence agreement between Neptunia, as sub-licensor, and the Company (formerly known as San Miguel Brewery Limited), as licensee, dated 1 January 1979, where Neptunia has been granted the rights to use and sub-licence the use of certain trademarks owned by SMBIL
“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, a wholly owned subsidiary of San Miguel Brewery Inc. which is a 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, an intermediate holding company of the Company
“San Miguel Group Licensing Arrangements”	the 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Licensing Agreement”	the trademark licensing agreement dated 3 November 1990 (as amended by a supplemental agreement dated 29 September 2006 and as supplemented by a deed of assignment dated 1 April 2010), where SMBIL grants GSMB rights to use certain “San Miguel” related trademarks subject to the terms and conditions of the agreement
“US\$”	United States dollars

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

Hong Kong, 24 October 2014

*As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Ramon G. Torralba, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Ms. Chan Wen Mee, May (Michelle), Mr. Teruyuki Daino, Mr. Takashi Hayashi, Roberto N. Huang and Mr. Takeshi Wada; and the independent non-executive directors, Dr. the Hon. Sir. David K. P. Li, Mr. Ng Wai Sun, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.*