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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

GSMB is an equity joint venture formed between San Miguel Guangdong and GB and is held as to 70% by San Miguel Guangdong and as to 30% by GB. San Miguel Guangdong is a 92.989% owned subsidiary of the Company and GB is a connected person of the Company merely by virtue of its substantial shareholding in GSMB. On 29 November 2020, the business term of GSMB expired in accordance with the terms of its Articles of Association and the Joint Venture Contract between San Miguel Guangdong and GB. GSMB has thus commenced the liquidation process on 30 November 2020, in accordance with the applicable laws of the PRC. As a result of the expiry of the business term of GSMB, the Trademark Licensing Agreement between SMBIL and GSMB and the GB Trademark Licensing Agreement between GB and GSMB have been terminated as of the end of day on 29 November 2020.

As mentioned in the Voluntary Announcement, SMGB, another PRC subsidiary of the Company that currently serves as the production source of the beer products being sold by GSMB under the “San Miguel” related trademarks, will begin the selling and distribution of the said beer products in the South China market commencing 30 November 2020. In view thereof, on 30 November 2020, SMBIL and SMGB entered into the New SMBIL Trademark License Agreement. The territorial coverage, licensed trademarks, rate and manner of computation of royalties under the New SMBIL Trademark License Agreement, among others, are essentially the same as those under the terminated Trademark Licensing Agreement. The transaction contemplated under the New SMBIL Trademark License Agreement will constitute a continuing connected transaction for the Company under the Listing Rules.

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 New SMBIL Trademark License Agreement, the Neptunia Sub-license Agreement and the SMBIL Sub-License Agreement) are aggregated as a series of transactions.

It is expected that the annual royalties payable by the Group under the New SMBIL Trademark License Agreement, when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group, including the Neptunia Sub-license Agreement and the SMBIL Sub-License Agreement, shall be less than HK\$10 million for each of the financial years during the remaining terms of the SMBIL Sub-license Agreement and Neptunia Sub-license Agreement, and the term of the New SMBIL Trademark License Agreement. Accordingly, the transactions under the New SMBIL Trademark License Agreement are only subject to the reporting and announcement requirements and exempt from the independent shareholders’ approval requirement under the Listing Rules.

THE TRADEMARK LICENSING AGREEMENT AND THE GB TRADEMARK LICENSING AGREEMENT

GSMB is an equity joint venture formed between San Miguel Guangdong and GB and is held as to 70% by San Miguel Guangdong and as to 30% by GB. San Miguel Guangdong is a 92.989% owned subsidiary of the Company and GB is a connected person of the Company merely by virtue of its substantial shareholding in GSMB.

On 29 November 2020, the business term of GSMB expired in accordance with the terms of its Articles of Association and the Joint Venture Contract between San Miguel Guangdong and GB. GSMB has thus commenced the liquidation process on 30 November 2020, in accordance with the applicable laws of the PRC. As a result of the expiry of the business term of GSMB, the Trademark Licensing Agreement between SMBIL and GSMB and the GB Trademark Licensing Agreement between GB and GSMB have been terminated as of the end of day on 29 November 2020.

THE NEW SMBIL SUB-LICENSE AGREEMENT

As mentioned in the Voluntary Announcement, SMGB, another PRC subsidiary of the Company that currently serves as the production source of the beer products being sold by GSMB under the “San Miguel” related trademarks, will begin the selling and distribution of the said beer products in the South China market commencing 30 November 2020. AS such, on 30 November 2020, SMBIL and SMGB entered into the New SMBIL Trademark License Agreement. The territorial coverage, licensed trademarks, rate and manner of computation of royalties under the New SMBIL Trademark License Agreement, among others, are essentially the same as those under the terminated Trademark Licensing Agreement. The terms of the New SMBIL Trademark License Agreement are summarised as follow:

Term: Expiring 29 November 2023

Licensor: SMBIL

Licensee: SMGB

Trademarks: Various “San Miguel” related trademarks

Use of trademarks and territory: Exclusive right to use the licensed trademarks in direct connection with the production, sale, marketing and distribution of beer products in Guangdong and Hainan Provinces of the PRC and non-exclusive right to use such trademarks elsewhere in the PRC.

Royalty rates: 2.5% of net sales value (gross billings less certain outgoings) of all products bearing the licensed trademarks

Payment terms: Calculated quarterly and payable in US\$ not later than one (1) month after the end of each calendar quarter, with a late payment charge of 15% per annum of the amounts due

As set out in this Announcement, the transaction contemplated under the New SMBIL Trademark License Agreement constitutes continuing connected transaction for the Company under the Listing Rules.

For the years ended 31 December 2018, 2019 and the ten months ended 31 October 2020, the royalties payable by the Group under the San Miguel Group Licensing

Arrangements amounted to approximately HK\$166,000, HK\$1,041,000, and HK\$804,000, respectively.

The terms of the New SMBIL Trademark License Agreement were agreed after arm's length negotiations between the parties. The Company considers the New SMBIL Trademark License Agreement to be on normal commercial terms.

REASONS FOR THE TRANSACTION

Reference is made to the Voluntary Announcement in relation to the cessation of business operations of GSMB, after the expiry of its business term on 29 November 2020. In view of the expiry of its business term, the Trademark Licensing Agreement pursuant to which SMBIL granted GSMB a license to use the "San Miguel" related trademarks (i) exclusively in the provinces of Guangdong and Hainan of the PRC and (ii) non-exclusively in the rest of PRC, has been terminated. After the cessation of GSMB's business operations, SMGB, which currently serves as the production source of the beer products being sold by GSMB under the "San Miguel" related trademarks, will begin the selling and distribution of the said beer products in the South China market, commencing on 30 November 2020. SMBIL and SMGB have entered into the New SMBIL Trademark License Agreement to enable the Group, through SMGB, to continue producing and selling beer products using the "San Miguel" related trademarks in the territory covered by the New SMBIL Trademark License Agreement (which was previously covered by the terminated Trademark Licensing Agreement).

The Directors (including the independent non-executive Directors) consider the terms of the New SMBIL Trademark License Agreement to be fair and reasonable, on normal commercial terms and are entered in the ordinary and usual course of business of the Group and that the transactions thereunder are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Top Frontier is the ultimate controlling shareholder of the Company and through, among others, SMBIL, holds 245,720,800 Shares representing approximately 65.78% of the issued share capital of the Company. Accordingly, SMBIL is a connected person of the Company under the Listing Rules. The transaction contemplated under the New SMBIL Trademark License Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group has also entered into other license/sub-license agreements with certain other members of the San Miguel Group aside from the New SMBIL Trademark License Agreement, which include the Neptunia Sub-license Agreement and the SMBIL Sub-license Agreement. 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 New SMBIL Trademark License Agreement, the Neptunia Sub-license Agreement and the SMBIL Sub-license Agreement) are aggregated as a series of transactions. The terms of all other trademark licensing and sub-licensing arrangements under the San Miguel Group Licensing Arrangements and the aggregate annual cap of less than HK\$10 million for the San Miguel Group Licensing Arrangements during the remaining term of the SMBIL Sub-license Agreement and Neptunia Sub-license Agreement, and the term of the New SMBIL Trademark License Agreement under the San Miguel Group Licensing Arrangements shall remain unchanged.

It is expected that the annual royalties payable by the Group under the New SMBIL Trademark License Agreement, when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group under the San Miguel Group Licensing Arrangements, including the Neptunia Sub-license Agreement and the SMBIL Sub-license Agreement, shall be less than HK\$10 million for each of the financial years during the remaining terms of the relevant license/sub-license agreements. Accordingly, the transactions under the New SMBIL Trademark License Agreement are only subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

ANNUAL REVIEW OF THE TRANSACTION

After the end of each financial year, the transaction under the New SMBIL Trademark License Agreement will be reviewed together with the Neptunia Sub-license Agreement and the SMBIL Sub-license Agreement by the independent non-executive Directors pursuant to Rule 14A.37 of the Listing Rules and by the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules. The results of the review by the independent non-executive Directors and the auditors will be stated in the relevant annual report of the Company.

The Company will endeavour to procure that the counterparties to the San Miguel Group Licensing Arrangements will allow the auditors of the Company sufficient access to their records for the purpose of reporting on the transactions thereunder.

DEFINITIONS

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

“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
“GB”	Guangzhou Brewery, a state-owned enterprise established in the PRC
“GB Trademark Licensing Agreement”	the trademark licensing agreement entered into between GB and GSMB on 3 November 1990, as amended by a supplemental agreement dated 29 September 2006
“Group”	the Company and its subsidiaries

“GSMB”	Guangzhou San Miguel Brewery Co., Ltd., 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 and as to 30% by GB
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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-license Agreement”	the sub-license 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 granted the rights to use and sub-license the use of certain trademarks owned by SMBIL to the Company
“New SMBIL Trademark License Agreement”	the license agreement between SMBIL, as licensor, and SMGB, as licensee, dated 30 November 2020 where SMBIL has granted SMGB the right, among others, to use certain “San Miguel” related trademarks subject to the terms and conditions of the agreement
“PRC”	the People’s Republic of China
“San Miguel Group”	Top Frontier and its associates (excluding the Group)
“San Miguel Guangdong”	San Miguel (Guangdong) Limited, a company incorporated in Hong Kong with limited liability and a 92.989% subsidiary of the Company
“Shares”	shares in the Company
“SMBIL”	San Miguel Brewing International Limited, a wholly owned subsidiary of San Miguel Brewery Inc. which is an indirect subsidiary of SMC
“SMBIL Sub-license Agreement”	the sub-license 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-license agreement dated 8 October 1999
“SMC”	San Miguel Corporation, an intermediate holding company of the Company
“San Miguel Group Licensing Arrangements”	the New SMBIL Trademark License Agreement, the Neptunia Sub-license Agreement and the SMBIL Sub-license Agreement
“SMGB”	San Miguel (Guangdong) Brewery Co., Ltd., a company incorporated in the PRC with limited liability and a 92% indirectly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Frontier”	Top Frontier Investment Holdings, Inc., the ultimate holding company of the Company
“Trademark Licensing Agreement”	the trademark licensing agreement dated 3 November 1990 (as amended by the amendment agreements dated 29 September 2006 and 16 January 2014 and as supplemented by a deed of assignment dated 1 April 2010), where SMBIL grants GSMB rights, among others, to use certain “San Miguel” related trademarks subject to the terms and conditions of the agreement
“US\$”	United States dollars
“Voluntary Announcement”	the announcement of the Company dated 28 October 2020 in relation to the expiry of the business term of GSMB on 29 November 2020

By Order of the Board
San Miguel Brewery Hong Kong Ltd.
John K.L. Cheung
Company Secretary

Hong Kong, 30 November 2020

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. May (Michelle) W. M. Chan, Mr. Roberto N. Huang, Mr. Fumiaki Ozawa, Mr. Kenji Uchiyama and Mr. Tomoki Yamauchi; and the independent non-executive directors, Mr. Alonzo Q. Ancheta, Dr. the Hon. Sir David K. P. Li, Mr. Reynato S. Puno and Mr. Carmelo L. Santiago.