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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
THE NEW SMBIL-SMBHK TRADEMARK 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 2021.

The “San Miguel” related trademarks registered in Hong Kong and Macau are owned by SMBIL. In order to have a direct licence arrangement with the trademarks owner, the Company entered into the New SMBIL-SMBHK Trademark Licence Agreement with SMBIL on 25 October 2021 for the exclusive right to use the “San Miguel” related trademarks in the production, sale and distribution of beer in Hong Kong and Macau for three years from 1 January 2022 to 31 December 2024. Save for the royalties which may be payable by the Company to SMBIL under the terms of the New SMBIL-SMBHK Trademark Licence Agreement, no consideration was paid or is payable under the New SMBIL-SMBHK Trademark Licence Agreement. The territorial coverage, licensed trademarks, and rate and manner of computation of royalties under the New SMBIL-SMBHK Trademark Licence Agreement, among others, are essentially the same as those under the Neptunia Sub-licence Agreement, although the list of covered territories and licensed trademarks has been updated.

It is expected that the annual royalties payable by the Group under the New SMBIL-SMBHK Trademark Licence Agreement, when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group, including the SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence Agreement, shall be less than HK\$10 million for each of the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024. Accordingly, the transactions under the New SMBIL-SMBHK Trademark Licence Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders’ approval requirement under the Listing Rules.

THE NEW SMBIL-SMBHK TRADEMARK LICENCE AGREEMENT

Reference is made to the Company’s announcement dated 2 November 2020 in respect of the extension of the term of the Neptunia Sub-licence Agreement for one year from January 1, 2021 to 31 December 2021. In order to have a direct licence arrangement with the trademarks owner, SMBIL, the Company entered into the New SMBIL-SMBHK Trademark Licence Agreement with SMBIL on 25 October 2021 for the exclusive right to

use the “San Miguel” related trademarks in the production, sale and distribution of beer in Hong Kong and Macau by the Company for three years from 1 January 2022 to 31 December 2024. Save for the royalties which may be payable by the Company to SMBIL under the terms of the New SMBIL-SMBHK Trademark Licence Agreement, no consideration was paid or is payable under the New SMBIL-SMBHK Trademark Licence Agreement. The territorial coverage, licensed trademarks, and rate and manner of computation of royalties under the New SMBIL-SMBHK Trademark Licence Agreement, among others, are essentially the same as those under the Neptunia Sub-licence Agreement, although the list of covered territories and licensed trademarks has been updated. The major terms of the New SMBIL-SMBHK Trademark Licence Agreement are summarised as follows:

Term:	From 1 January 2022 to 31 December 2024, which may be renewed subject to the terms of the New SMBIL-SMBHK Trademark Licence Agreement and the Company complying with the relevant requirements of the Listing Rules
Licensor:	SMBIL
Licensee:	The Company
Trademarks:	Various “San Miguel” related trademarks
Trademarks and territory:	(i) exclusive for the production, sale and distribution of beer under the Trademarks in Hong Kong (ii) exclusive for the sale and distribution of beer under the Trademarks in Macau
Royalty rates:	Royalties payable under the New SMBIL-SMBHK Trademark Licence Agreement are calculated based on the amount of beer produced by the Company (but not its subsidiaries) under the licence in accordance with 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 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 New SMBIL-SMBHK Trademark Licence Agreement is calculated based on the amount of beer produced by the Company using the relevant licensed trademarks in the relevant territories. With reference to the royalties payable to Neptunia under the Neptunia Sub-licence Agreement, the royalties amounted to approximately HK\$1,041,000, HK\$931,000 and HK\$516,000 for the

years ended 31 December 2019, 2020 and the nine (9)-month period from 1 January 2021 to 30 September 2021 respectively. Hence, as the territorial coverage, licensed trademarks, and rate and manner of computation of royalties under the New SMBIL-SMBHK Trademark Licence Agreement, among others, are essentially the same as those under the Neptunia Sub-licence Agreement (although the list of covered territories and licensed trademarks has been updated), it is expected that the annual royalties payable by the Group under the New SMBIL-SMBHK Trademark Licence Agreement, when aggregated with other trademark licensing and sub-licensing arrangements with the San Miguel Group, including the SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence Agreement, shall be less than HK\$10 million for each of the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The terms of the New SMBIL-SMBHK Trademark Licence Agreement are on normal commercial terms or better.

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 SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence Agreement. The “San Miguel” related trademarks and 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” related trademarks and brand names. The Group has obtained the right to use these trademarks and brand names owned by the San Miguel Group through various licensing arrangements, including but not limited to, the Neptunia Sub-licence Agreement, the SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence Agreement.

As disclosed above, the New SMBIL-SMBHK Trademark Licence Agreement was entered into by SMBIL and the Company for the purpose of 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 New SMBIL-SMBHK Trademark Licence Agreement, but this time under a direct license arrangement with the trademarks owner, SMBIL.

The Directors (including the independent non-executive Directors) consider the terms of the New SMBIL-SMBHK Trademark Licence Agreement are fair and reasonable, and on normal commercial terms or better, 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

Top Frontier is the ultimate holding company 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, and the licensing arrangement under the New SMBIL-SMBHK Trademark Licence Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group has also entered into other licence/sub-licence agreements with certain other members of the San Miguel Group aside from the New SMBIL-SMBHK Trademark Licence Agreement, which include the SMBIL

Sub-licence Agreement and the SMBIL-SMGB Trademark Licence 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-SMBHK Trademark Licence Agreement, the SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence 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 agreements 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-SMBHK Trademark Licence 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 SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence 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-SMBHK Trademark Licence Agreement 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 SMBIL. Mr. Ramon S. Ang abstained from voting on the Board resolution to approve the entering into of the New SMBIL-SMBHK Trademark Licence Agreement and the transactions contemplated under the New SMBIL-SMBHK Trademark Licence Agreement in compliance with Rule 14A.70 (11) of the Listing Rules in view of his substantial interest in the shares of Top Frontier and SMC (an intermediate holding company of the Company), which are connected persons of the Company. Further, with reference to the royalties paid/payable to Neptunia under the Neptunia Sub-licence Agreement, the royalties amounted to only approximately HK\$1,041,000, HK\$931,000 and HK\$516,000 for the years ended 31 December 2019, 2020 and the nine (9)-month period from 1 January 2021 to 30 September 2021 respectively. Hence, as the territorial coverage, licensed trademarks, and rate and manner of computation of royalties under the New SMBIL-SMBHK Trademark Licence Agreement, among others, are essentially the same as those under the Neptunia Sub-licence Agreement (although the list of covered territories and licensed trademarks has been updated), the transaction amount under the New SMBIL-SMBHK Trademark Licence Agreement is expected to be not material to the operations of the Group, SMBIL, SMC and Top Frontier, and the Company does not consider any Directors to have a material interest in the subject transaction under the New SMBIL-SMBHK Trademark 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 New SMBIL-SMBHK Trademark Licence Agreement and the transactions contemplated under the New SMBIL-SMBHK Trademark Licence Agreement in compliance with Rule 14A.70 (11) of the Listing Rules. The Board resolution approving the entering into by the Company of the New SMBIL-SMBHK Trademark Licence Agreement 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:

“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
“Group”	the Company and its subsidiaries
“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 granted the rights to use and sub-licence the use of certain trademarks owned by SMBIL to the Company
“New SMBIL-SMBHK Trademark Licence Agreement”	The licence agreement between SMBIL, as licensor, and the Company, as licensee, dated 25 October 2021 where SMBIL has granted the Company 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)

“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-SMGB Trademark” Licence Agreement”	the licence 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
“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 New SMBIL-SMBHK Trademark Licence Agreement, the SMBIL Sub-licence Agreement and the SMBIL-SMGB Trademark Licence 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
“US\$”	United States dollars

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

Hong Kong, 25 October 2021

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, Mr. Thelmo Luis O. Cunanan Jr., Dr. the Hon. Sir David K. P. Li and Mr. Reynato S. Puno.