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28 March 2025

To the Independent Board Committee and the Independent Shareholders
San Miguel Brewery Hong Kong Ltd.
9th Floor, Citimark Building
28 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions as contemplated under the 2025 Master Agreement and the Annual Caps related thereto, details of which are set out in the "Letter from the Board" contained in the circular dated 28 March 2025 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Group has been carrying out the Continuing Connected Transactions with the San Miguel Group for the previous years in the ordinary and usual course of business of the Group including, among other things, (i) purchase of packaging materials by the Group from the San Miguel Group for the production of the Group; (ii) purchase of packaged beer by the Group from the San Miguel Group for the Group's wholesale and retail distribution; and (iii) sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group.

The existing annual caps in respect of the Continuing Connected Transactions will expire on 31 December 2025. Accordingly, the Company and SMC entered into the 2025 Master Agreement on 24 February 2025 with a view to carry out the Continuing Connected Transactions for the three years ending 31 December 2028.

香港中環永和街21號

Under the 2025 Master Agreement, the Group will enter into the following Continuing Connected Transactions with the San Miguel Group:

(i) purchase of packaging materials by the Group from the San Miguel Group for the production of the Group;

(ii) purchase of packaged beer by the Group from the San Miguel Group for the Group's wholesale and retail distribution; and

(iii) sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group, provided that such sales or distribution of packaged beer shall not be carried out in the Philippines, unless through San Miguel Brewery Inc.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the San Miguel Group controls approximately 65.78% of the issued share capital of the Company. Accordingly, SMC and its associates are connected persons of the Company for the purposes of the Listing Rules. The Continuing Connected Transactions contemplated under the 2025 Master Agreement constitute non-exempt continuing connected transactions under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interest of the San Miguel Group in the Continuing Connected Transactions, the San Miguel Group, 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.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Alonzo Q. Ancheta, Mr. Thelmo Luis O. Cunanan, Dr. the Hon. Sir David K. P. Li and Mr. Reynato S. Puno has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions contemplated under the 2025 Master Agreement are fair and reasonable; (ii) whether the Continuing Connected Transactions are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Company and its subsidiaries and in the interests of the Company and the Shareholders as a whole; (iii) whether the respective Annual Caps have been fairly and reasonably arrived at; and (iv) how to vote at the EGM, taking into account the recommendation of the independent financial adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Continuing Connected Transactions contemplated under the 2025 Master Agreement are fair and reasonable; (ii) whether the Continuing Connected Transactions are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Company and its subsidiaries and in the interests of the Company and the Shareholders as a whole; (iii) whether the respective Annual Caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Continuing Connected Transactions is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the 2025 Master Agreement; (ii) the Company's annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"); (iii) the Company's annual results announcement for the year ended 31 December 2024 (the "**2024 Annual Results Announcement**"); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1 Business of the Group

The principal business activities of the Group are the production and distribution of bottled, canned and draught beers and other beverage products. Customers of the Group are located in Hong Kong, the Mainland China (particularly the southern part) and other locations such as Macau.

1.2 Financial results of the Group

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2023 as extracted from the 2023 Annual Report, as well as the 2024 Annual Results Announcement.

	For the year ended 31 December		
	2022	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Revenue	681,163	741,619	711,157
Gross profit	247,078	285,439	266,133
Profit/(loss) for the year	33,135	89,580	(18,915)

Source: 2023 Annual Report and 2024 Annual Results Announcement

Year ended 31 December 2023 vs year ended 31 December 2022

Revenue of the Group increased from approximately HK$681.2 million for the year ended 31 December 2022 to approximately HK$741.6 million for the year ended 31 December 2023, representing an increase of approximately 8.9%. The increase in revenue was mainly attributable to the increase in sales volume within South China and export sales.

The Group's gross profit margin for the years ended 31 December 2022 and 2023 remained relatively stable at approximately 36.3% and 38.5%, respectively. Gross profit has increased from approximately HK$247.1 million for the year ended 31 December 2022 to approximately HK$285.4 million for the year ended 31 December 2023, which was mainly attributable to the increase in revenue. Net profit has increased from approximately HK$33.1 million for the year ended 31 December 2022 to approximately HK$89.6 million for the year ended 31 December 2023, which was mainly driven by an improvement in the operating results of the Group and a tax credit amounting to approximately HK$26.7 million (arising from the recognition of a deferred tax assets for the carryforward of unused tax losses and unused tax credits).

Year ended 31 December 2024 vs year ended 31 December 2023

Revenue of the Group decreased from approximately HK$741.6 million for the year ended 31 December 2023 to approximately HK$711.2 million for the year ended 31 December 2024, representing a decrease of approximately 4.1%.

The Group's gross profit margin for the year ended 31 December 2024 was approximately 37.4%, lower than the gross profit margin for the year ended 31 December 2023 of approximately 38.5% due mainly to the lower export margins from South China Operations. Gross profit decreased from approximately HK$285.4 million for the year ended 31 December 2023 to approximately HK$266.1 million for the year ended 31 December 2024, which was mainly attributable to the decrease in revenue.

As a result of the year-on-year decline in industry volumes which affected the Group's Hong Kong Operations, the Company recognized a one-time, non-cash impairment loss of HK$90.0 million, with a deferred tax impact of HK$14.9 million for the year ended 31 December 2024 on its non-current assets. Excluding the impairment loss, the Group's consolidated net profit would have been approximately HK$56.2 million for the year ended 31 December 2024, compared with approximately HK$89.6 million for the year ended 31 December 2023. Including the impairment loss, the consolidated loss for the year ended 31 December 2024 was approximately HK$18.9 million.

1.3 Prospects of the Group

Although uncertainties in global economic outlook have been caused by continuous geo-political conflicts, the Group maintains an optimistic view on the sustained growth for both the Hong Kong and South China economies. The Group has formulated strategies and programs to cope with the situation through, among others, placing more focus on accelerating the volume recovery in all channels, managing costs effectively and strengthening profitability overall.

In particular, for the Hong Kong market, the Group is expected to continue to aggressively expand distribution coverage of the San Miguel brands in all channels to intensify volume recovery, focusing on brand strategies and focused portfolio selling. The Group will enhance the image and volume of San Miguel brands through integrated sales and marketing activities. The Group will also continue to improve efficiencies across our operations to mitigate cost increases.

For South China region, the Group will continue to develop its wholesale network and accelerate penetration of on-premise channels to ensure the expansion of their outlet base. The Group will support channel-specific initiatives with integrated sales and marketing programs. The Group will also sustain cost containment and operation efficiency initiatives to improve profitability.

2. Background information of SMC

SMC is a publicly-listed company and its shares are listed on The Philippine Stock Exchange, Inc. As at the Latest Practicable Date, SMC is an indirect controlling Shareholder holding approximately 65.78% of the issued share capital of the Company through Neptunia Corporation Limited. SMC, together with its subsidiaries, is one of the Philippines' largest and most diversified conglomerates by revenues and total assets. The San Miguel Group is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement, real estate property management and development, and banking.

3. Background and principal terms of the Continuing Connected Transactions

For over 16 years, the Company and SMC have been entering into agreements pursuant to which the Group and the San Miguel Group carried out transactions including the purchase of packaging materials and packaged beer from the San Miguel Group and the sale of packaged beer and other non-alcoholic beverage products to the San Miguel Group.

On 7 March 2022, the Company and SMC entered into the previous master agreement (the "**Previous Master Agreement**"), setting out the terms and conditions for the purchase of packaging materials and packaged beer and sales of packaged beer and non-alcoholic beverage products between the Group and the San Miguel Group. Since the existing annual caps under the Previous Master Agreement for the Continuing Connected Transactions will expire on 31 December 2025, the Company and SMC entered into the 2025 Master Agreement on 24 February 2025 with a view to carrying out the Continuing Connected Transactions from 1 January 2026 to 31 December 2028.

The 2025 Master Agreement is a framework agreement which provides the principles, mechanism and terms and conditions for the Group's purchases from or sales to the San Miguel Group. Individual purchase orders or sales will be entered into between the relevant members of the Group and the San Miguel Group from time to time in accordance with the stipulations of the 2025 Master Agreement depending on the transaction type. The price and credit terms shall be determined annually between the Group and the San Miguel Group, as contemplated under the 2025 Master Agreement.

To assess the fairness and reasonableness of the terms of the 2025 Master Agreement, we have considered the following:

3.1 Purchase of packaging materials by the Group from the San Miguel Group

3.1.1 Pricing and terms of the transactions

(i) According to the terms of the 2025 Master Agreement:

In respect of the purchase of packaging materials (comprising, but not limited to, cans, bottles, crown corks and cartons) by the Group from the San Miguel Group, the prices payable by and the credit terms offered to the Group shall be negotiated between the Group and the San Miguel Group on an annual basis by reference to the prices and credit terms from suppliers which are Independent Third Parties that are able to meet the Group's stringent quality requirements and delivery schedules and if no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by arms' length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

(ii) According to the Group's internal procurement policy which governs ordinary business transactions:

Suppliers' quotations are sourced annually, which set out the fixed unit rate and credit terms of all such transactions to occur during the year, or such other time period as specified by the suppliers, between the suppliers and the Group. Brief description of the internal control procedures with respect to purchase of packaging materials by the Group from the San Miguel Group is set out in the section headed "The 2025 Master Agreement – Pricing policy and internal control procedures" of the "Letter from the Board".

In relation to the internal procurement policy of the Company for the packaging materials purchased from San Miguel Group for the two years ended 31 December 2024, we have obtained (i) price quotations provided by relevant member of the San Miguel Group, as adhered to the Group's internal procurement policy; (ii) price quotations from Independent Third Party suppliers; (iii) the reports prepared by the logistics department in relation to its recommendations on the base purchase prices and the selection of supplier; and (iv) full list of transactions for the purchase of the packaging materials from the San Miguel Group under the Previous Master Agreement. Based on the full list of transactions, we selected the top 5 sample invoices and randomly selected another 5 sample invoices for the packaging materials for each of the two years ended 31 December 2024 for inspection. Given the samples were randomly selected from the full transaction list, we believe the approach is practical and the selected samples are sufficient for this purpose.

Following this review exercise, we noted that:

(i) the Company was able to obtain price quotations from at least two Independent Third Party suppliers for comparison with the price quotations from the San Miguel Group on purchasing materials;

(ii) the Company has taken into account factors including, among others, the quality of supply, stability of supply, pricing, credit terms, delivery terms, supply history of each supplier, in deciding the percentage of allocation to the San Miguel Group and other Independent Third Party suppliers; and

(iii) the purchasing invoices showed that transactions of packaging materials with the San Miguel Group had been carried out in accordance with the price quotations provided by the San Miguel Group.

Based on our review exercise as mentioned above, in particular, having considered the pricing, the credit terms, the delivery terms and the quality of supply among the San Miguel Group and the Independent Third Party suppliers, we are of the view that the terms offered by the San Miguel Group in relation to the historical transactions were no less favourable than those terms offered to the Group by Independent Third Party suppliers. In view of the above, in particular, the internal procurement policy, major terms, and pricing policy of the Previous Master Agreement has been adhered to during the past two years ended 31 December 2024 regarding the purchase of packaging materials transactions of the Group, we are of the view that the Group's purchase of packaging materials from the San Miguel Group has in the past been carried out at arm's length and is in accordance with the Company's internal policies.

3.1.2 Reasons for purchasing packaging materials by the Group from the San Miguel Group

As advised by the Management, pursuant to its business operations, the Company sources various packaging materials for use in the packaging and distribution of its beer products. The San Miguel Group has established itself as a competitively priced and dependable supplier of the Group which meets the Group's stringent quality requirements and delivery schedules.

In addition, the Group has maintained a strong and smooth working relationship with the San Miguel Group, with transactions entered into between the two parties dating back over 16 years. The Management is of the view, and we concur, that it is in the interests of the Company and its Shareholders to maintain and strengthen this relationship going forward.

3.2 Purchase of packaged beer by the Group from the San Miguel Group

3.2.1 Pricing and terms of the transactions

(i) According to the terms of the 2025 Master Agreement:

In respect of the purchase of packaged beer by the Group from the San Miguel Group, the prices payable by and the credit terms offered to the Group shall be determined on an annual basis by reference to the prices paid by and the credit terms offered to the Group in respect of similar products sourced by the Group from Independent Third Party suppliers and if no such comparable reference prices/credit terms are available, the prices/credit terms shall be determined by arms' length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

(ii) According to the Group's internal procurement policy which governs ordinary business transactions:

The prices and the credit terms offered by the San Miguel Group to the Group shall be determined on an annual basis by reference to the prices paid by and the credit terms offered to the Group in respect of similar products sourced by the Group from Independent Third Party suppliers. If no comparable reference prices/credit terms are available, the prices/credit terms shall be determined by arms' length negotiations between the Group and the San Miguel Group based on normal commercial terms. Brief description of the internal control procedures with respect to purchase of packaging materials by the Group from the San Miguel Group is set out in the section headed "The 2025 Master Agreement – Pricing policy and internal control procedures" of the "Letter from the Board".

In relation to the internal procurement policy of the Company for the packaged beer purchased from San Miguel Group for the two years ended 31 December 2024, we have obtained (i) the reports maintained by the finance department on comparing net supply cost of each imported beer products with the corresponding selling price on per volume basis (the "**margin**"); and (ii) full list of transactions for the purchase packaged beer from the San Miguel Group under the Previous Master Agreement for the two years ended 31 December 2024. Based on the full list of transactions, we selected the top 5 sample invoices and randomly selected another 5 sample invoices for the packaged beer for each the two years ended 31 December 2024 for inspection. Given the samples were randomly selected from the full transaction list, we believe the approach is practical and the selected samples are sufficient for this purpose.

Following this review exercise, we noted that:

(i) whilst comparison of pricing of different brands of beer products in the Company's database of prices is of limited use considering the beer products are not entirely comparable, we noted that the actual unit price of the packaged beer products offered by the San Miguel Group to the Group was comparable to, or no less favourable to the Group than, the actual unit price of comparable beer products offered by at least two Independent Third Party suppliers in the market;

(ii) the margin generated from the sales of packaged beer products sourced from the San Miguel Group, taking into account production, distribution and marketing costs, was comparable to or no less favourable than the average margin generated from other comparable beer products supplied by at least two Independent Third Party suppliers; and

(iii) the purchasing invoices showed that transactions with the San Miguel Group had been carried out in accordance with the reports maintained by the finance department.

In view of the above, in particular, the internal procurement policy, major terms, and pricing policy of the Previous Master Agreement has been adhered to during the past two years ended 31 December 2024, we are of the view that the Group's purchase of packaged beer products from the San Miguel Group has in the past been carried out at arm's length and is in accordance with the Company's internal policies.

3.2.2 Reasons for purchasing packaged beer by the Group from the San Miguel Group

As advised by the Management, pursuant to its business operations, the Company sources packaged beer (i.e. specialty beer which are not produced by the Group) from San Miguel Group to complement the range of products sold by the Group and to help diversify its product portfolio and strengthen the earnings potential for the Group. As noted above, the San Miguel Group has established itself as a competitively priced and dependable supplier to the Group which meets the Group's stringent quality requirements and delivery schedules.

In addition, the Group has maintained a strong and smooth working relationship with San Miguel Group, with transactions entered into between the two parties dating back over 16 years. The Management is of the view, and we concur that, it is in the interests of the Company and its Shareholders to maintain and strengthen this relationship going forward.

3.3 Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group provided that sales or distribution of packaged beer shall not be carried out in the Philippines, unless through SMB

3.3.1 Pricing and terms of the transactions

(i) According to the terms of the 2025 Master Agreement:

In respect of the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group, the prices receivable by the Group shall be determined on an annual basis in the ordinary and usual course of business based on the Group's production cost plus margins, with such profit margins to be determined with reference to profit margins which are no less favourable to the Group than those imposed by the Group on Independent Third Party customers in respect of the sales of similar packaged beer and non-alcoholic beverage product(s), and if no such comparable reference profit margins are available, the profit margins shall be determined by arms' length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles; and the credit terms offered by the 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 arms' length negotiations between the Group and San Miguel Group based upon reasonable commercial principles.

(ii) According to the Group's internal policy which governs the export sales such as these:

In order to determine the pricing of the Group's export sales to the San Miguel Group, the estimated total costs for the production and distribution of each product is calculated and a fixed margin is then added on top of such costs. The estimation of such costs is done primarily with reference to, amongst other things (i) the price quotations obtained from suppliers for materials; (ii) the estimated labour hours required for production of the products; (iii) the estimated distribution costs; (iv) the market rate of utilities; and (v) the historical price trend. A consolidated price list is then provided to the San Miguel Group and agreed upon following negotiations. Brief description of the internal control procedures with respect to purchase of packaging materials by the Group from the San Miguel Group is set out in the section headed "The 2025 Master Agreement – Pricing policy and internal control procedures" of the "Letter from the Board".

In relation to the internal procurement policy of the Company for the packaged beer and non-alcoholic beverage products sold to the San Miguel Group over the two years ended 31 December 2024, we have obtained (i) the reports maintained by the finance department on the calculation of estimated production cost and profit margin based on the selling price offered by the Group to San Miguel Group with comparison of profit margins of comparable beer products sold to Independent Third Party customers; and (ii) full list of transactions for the sale of packaged beer and non-alcoholic beverage products to the San Miguel Group for the two years ended 31 December 2024. Based on the full list of transactions, we selected the top 5 sample invoices and randomly selected another 5 sample invoices for the packaged beer and non-alcoholic beverage products sold to the San Miguel Group for each of the two years ended 31 December 2024 for inspection. Given the samples were randomly selected from the full list of transactions, we believe the approach is practical and the selected samples are sufficient for this purpose.

Following this review exercise, we noted that:

(i) the Company was able to provide the calculation of the costs for the production and distribution of products sold to the San Miguel Group, which has adhered to the internal procurement policy;

(ii) the cost items included in the calculation were reasonable and the total costs of production and distribution for each product were logically estimated;

(iii) the invoices showed that the transactions had been carried out in accordance with the quotations and consolidated price list provided to the San Miguel Group; and

(iv) the profit margin generated by the Group from its export sales of packaged beer and non-alcoholic products to the San Miguel Group for the two years ended 31 December 2024 was comparable to the profit margin generated from comparable products sold by the Group to Independent Third Parties during the same period of time.

In view of the above, in particular, the internal procurement policy, major terms, and pricing policy of the Previous Master Agreement had been adhered to during the past two years ended 31 December 2024, we are of the view that the Group's sales of the packaged beer and non-alcoholic beverage products to the San Miguel Group has in the past been carried out at arm's length and is in accordance with the Company's internal policies.

3.3.2 Reasons for export sales of packaged beer and non-alcoholic beverages by the Group to the San Miguel Group

As advised by the Management, the Company sells packaged beer manufactured at its plants in Mainland China and Hong Kong to overseas in order to diversify and increase its income source. Since the Group's customer base lies mainly in Hong Kong and Macau and it does not have an international sales force outside of Hong Kong and Macau, it is relatively expensive and will require a lot of resources to sell its products to the international market. In order to expand its customer base, the Group can market and sell products to overseas members of the San Miguel Group, which in turn will generate significant revenue without the requirement for high marketing and advertising costs. In addition, it also allows the Group to avoid substantial exchange rate risk and counterparty risk with the ultimate customers in the relevant export markets. We have discussed with the Management and noted that such arrangement will help to broaden the overseas market share of products manufactured by the Group.

Given the strong and smooth working relationship with the San Miguel Group under such arrangement for over 16 years, the Management is of the view that, and we believe it is in the interests of the Company and its Shareholders to maintain and strengthen this relationship going forward.

4. Annual Caps

4.1 The existing approved annual caps and the historical transaction amounts under the Previous Master Agreement

Below is a table setting out the existing annual caps and the historical transaction amount of the continuing connected transactions carried out under the Previous Master Agreement during the two years ended 31 December 2024 and one month ended 31 January 2025 (the latest available information set out in the management accounts of the Group):

	For the year ended 31 December 2023			For the year ended 31 December 2024			For the one month ended 31 January 2025	For the year ending 31 December 2025	
	Actual amount (audited)	Cap amount	Utilisation rate	Actual amount (audited)	Cap amount	Utilisation rate	Actual amount	Cap amount	Utilisation rate
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
Purchase of packaging materials by the Group from the San Miguel Group	2,664	47,000	5.7	3,843	49,000	7.8	57	51,000	0.11
Purchase of packaged beer by the Group from the San Miguel Group	1,214	4,100	29.6	1,256	4,600	27.3	165	5,100	3.24
Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group provided that sales or distribution of packaged beer shall not be carried out in the Philippines, unless through SMB	406,103	407,000	99.8	392,429	480,000	81.8	50,300	563,000	8.93

For the years ended 31 December 2023 and 2024, the utilisation rates of the existing annual caps under the Previous Master Agreement ranged in general from approximately 5.7% to 99.8%.

4.1.1 Purchase of packaging materials by the Group from the San Miguel Group

The utilisation rate of the existing annual cap relating to the purchase of packaging materials by the Group from the San Miguel Group increased from approximately 5.7% for the year ended 31 December 2023 to approximately 7.8% for the year ended 31 December 2024. The utilisation rate then decreased by reference to the actual amount recorded for January 2025 to approximately 2.8% (on an annualised basis) for the year ending 31 December 2025. The low utilisation rates were mainly due to the fact that the Group purchased most of the packaging materials from Independent Third Party suppliers instead of the San Miguel Group for the two years ended 31 December 2024 and the one month ended 31 January 2025. Based on our review of the quotations and our discussion with the Management, we understand this was mainly due to the price offered by the San Miguel Group was relatively higher than the price offered by Independent Third Party suppliers for the two years ended 31 December 2024 and the one month ended 31 January 2025.

4.1.2 Purchase of packaged beer by the Group from the San Miguel Group

The utilisation rate of the existing annual cap relating to the purchase of packaged beer by the Group from the San Miguel Group decreased slightly from approximately 29.6% for the year ended 31 December 2023 to approximately 27.3% for the year ended 31 December 2024. The utilisation rate then increased by reference to the actual amount recorded for January 2025 to approximately 38.8% (on an annualised basis) for the year ending 31 December 2025. The low utilisation rates were mainly due to the fact that the Group began to produce San Miguel Cerveza Blanca locally as opposed to import from the San Miguel Group since mid-2022.

4.1.3 Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group provided that sales or distribution of packaged beer shall not be carried out in the Philippines, unless through SMB

The utilisation rate of the existing annual cap relating to the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group decreased from approximately 99.8% for the year ended 31 December 2023 to approximately 81.8% for the year ended 31 December 2024, and is expected to keep a high utilisation rate for the year ending 31 December 2025 by reference to the actual amount recorded for January 2025, mainly due to increase in sales volume of the relevant packaged beer and non-alcoholic beverage products sold by the Group to the San Miguel Group (which is a part of the Group's strategy to accelerate the volume recovery in all channels).

We wish to set out below our understanding of the sale of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group:

- the Group does not have an international sales force outside Hong Kong, Macau and South China and the San Miguel Group serves as the export channel of the Group; and

- once the San Miguel Group places orders with the Group, the Group then manufactures and ships the products directly to the end-customers of the San Miguel Group.

We have obtained the full list of transactions for the sale of packaged beer and non-alcoholic beverage products to the San Miguel Group for the two years ended 31 December 2024. Based on the full list of transactions, we noted that the packaged beer and non-alcoholic beverage products were delivered to end-customers of the San Miguel Group located in different countries or regions including Australia, Canada, India, Israel, Japan, Malaysia, Maldives, Netherlands, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Taiwan, U.A.E., United Kingdom and U.S.A, among others; and the San Miguel Group did not keep inventory of the products in the Philippines for the end-customers to place orders. In short, the Group's sale of packaged beer and non-alcoholic beverage products to the San Miguel Group can be viewed as a back-to-back arrangement with respect to the end-customers who have initiated and placed orders for packaged beer and non-alcoholic beverage products with the San Miguel Group.

We understand from the Group that it is responsible for the production of packaged beer and non-alcoholic beverage products and the logistics arrangements and/or other matters relating to the delivery of packaged beer and non-alcoholic beverage products. As a result, this arrangement between the Group and the San Miguel Group are mutually beneficial and complementary. With the San Miguel Group serving as an export channel of the Group, the Group eliminates exchange rate risk and counterparty risk as well as earns a margin being no less favourable than that derived from Independent Third Party customers.

Given that (i) the Group sells packaged beer and non-alcoholic beverage products to both Independent Third Party customers and the San Miguel Group on terms that are no less favourable than those applied to Independent Third party customers; (ii) the Group's strategy to continue to expand its market share given its intention to expand its distribution channel in Hong Kong as well as in the wholesale market in South China; (iii) all orders from the San Miguel Group are back-to-back with the orders of end-customers; (iv) the Group will be able to maintain the long-term business relationships established with the end-customers by the San Miguel Group as the Group's export channel, through its provision of the Group's satisfactory products and services throughout the years, in the unlikely event that the San Miguel Group ceases to serve as the export channel for the Group; and (v) the Group shall continue to develop and expand its sales network for its packaged beer and non-alcoholic beverage products to Independent Third Party customers to which the Group has targeted sales growth in its latest marketing plan and expansion strategies, we believe the back-to-back arrangement had not and will not give rise to material reliance of the Company on the San Miguel Group for the sales of packaged beer and non-alcoholic beverage products.

In view of the above, in particular, (i) the Group will be able to maintain the long-term business relationships established with the end-customers by the San Miguel Group as the Group's export channel, through its provision of the Group's satisfactory products and services throughout the years, in the unlikely event that the San Miguel Group ceases to serve as the export channel for the Group; and (ii) the Group's internal control measures, being (1) the monthly review on the sales to ensure the Annual Caps will not be exceeded; and (2) the annual review of the Continuing Connected Transactions by the Group's auditors), we believe they are sufficient to prevent any material reliance of the Company on the San Miguel Group for the sales of packaged beer and non-alcoholic beverage products.

In the unlikely event that the San Miguel Group ceases to serve as the export channel for the Group, we noted that the Group believes that it would still be able to maintain the long-term relationships established by the San Miguel Group (as the Group's export channel) with the end-customers through a gradual and systematic transitioning/replacement of the San Miguel Group. Given that the Group has been an established business in Hong Kong for more than 75 years, and has been providing satisfactory products and services to its end-customers throughout the years, we are of the view that in the unlikely event as mentioned above, the Group is equipped with the experience and the know-how to still be able to maintain the long-term relationships with the end-customers through a gradual and systematic transitioning/replacement of the San Miguel Group's role as the export channel to minimize any material disruption to the Group's operation.

4.2 Annual Caps

The Annual Caps for the Continuing Connected Transactions pursuant to the 2025 Master Agreement are as follows:

	For the year ending 31 December		
	2026	**2027**	**2028**
	HK$'000	*HK$'000*	*HK$'000*
Purchase of packaging materials by the Group from the San Miguel Group	47,000	50,300	53,900
Year-on-year percentage of change		7.0%	7.2%
Purchase of packaged beer by the Group from the San Miguel Group	3,100	3,400	3,700
Year-on-year percentage of change		9.7%	8.8%
Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group provided that sales or distribution of packaged beer shall not be carried out in the Philippines, unless through SMB	556,000	626,000	706,000
Year-on-year percentage of change		12.6%	12.8%

4.2.1 Purchase of packaging materials from the San Miguel Group

Based on our review of the workings and discussion with the Management, we understand that the Annual Caps in respect of the purchase of packaging materials by the Group from the San Miguel Group were determined by reference to the information set out below:

(i) The historical sales amount of beer products by the Group for the two years ended 31 December 2024

We noted that for the two years ended 31 December 2024, total sales of beer products by the Group amounted to approximately HK$741.6 million and HK$711.2 million in 2023 and 2024 respectively, representing a year-on-year decrease of approximately 4.1%.

(ii) The latest marketing plan of the Group's products, in particular, the estimated sales of the Group's various beverage products for each of the three years ending 31 December 2026, 2027 and 2028

A projection on the sales volume for the year ending 31 December 2025 was prepared principally based on the historical sales figures in 2024 and expected growth in 2025 taking into account the latest business strategies of enriching the product mix of the Group.

In projecting the sales figures for the three years ending 31 December 2028, the Group has applied an estimated year-on-year growth rate of 5% on the projected sales volume of various beverage products for the year ending 31 December 2025 and also by reference to the indications of the demand in the Group's products as communicated between the Group and the San Miguel Group.

Based on our review of the historical transaction information, we noted that the Group's beverage products have achieved an average annual sales volume growth of up to 21.9% during the year ended 31 December 2024, and therefore, we are of the view that the estimated 5% growth rate in determining the Annual Caps is a conservative estimate and is fair and reasonable.

(iii) The amount of packaging materials required based on the projected sales volume

The amount of packaging materials required for the projected sales volume was then calculated by taking into account different conversion factors which convert hector- liter which is used as the measuring unit in the sales volume's projection to the number of cases and pieces of packaging materials required.

Based on our review of the workings in calculating the amount of packaging materials required for different products, we noted that the conversion factors taken into account for the estimation of the amount of packaging materials required have been consistently applied over the years.

(iv) The estimated price per unit of each packaging material for the three years ending 31 December 2028

The Group obtained price quotations for the packaging material required from the San Miguel Group for the year ending 31 December 2025. We have reviewed the price quotations obtained by the Group from the San Miguel Group for each type of the packaging materials and noted that the prices per unit applied by the Group in the calculation are in line with the price quotations. The Management estimated increase in the price for the packaging materials over the term of the 2025 Master Agreement. Given that the packaging materials are to be sourced in the PRC, we are of the view that the estimated price of the packaging materials has taken into account, among other things, inflation in the PRC is fair and reasonable and such prices have been fairly estimated.

(v) The estimated percentage allocation of total packaging material required to the San Miguel Group for each of the years ending 31 December 2026, 2027 and 2028

An estimated percentage of the total packaging material required was allocated to the San Miguel Group based on, among others, (a) the production capacity of other Independent Third Party suppliers; (b) the price of the packaging materials offered by other Independent Third Party suppliers and the San Miguel Group; and (c) the availability of the packaging materials from the San Miguel Group. We have discussed with the Management and noted that such process of allocation has been consistently applied in the past. As an approved supplier of the Group, it has to satisfy stringent requirements, including among other things, production capacity, quality of supply, stability of supply and pricing. We also noted that the proposed allocation is determined with reference to (a) the Group's historical data, (b) the Group's latest business plan to purchase more categories of packaging materials from the San Miguel Group in 2025 due to better pricing than the Independent Third Party suppliers and (c) the Group's business strategy to purchase certain items from the San Miguel Group as a backup source.

(vi) The total projected amount of these purchases for the years ending 31 December 2026, 2027 and 2028 (including a buffer as described below)

The total amount of transactions for each packaging material purchased from the San Miguel Group was calculated using the projected required amount of packaging materials described in (iii) above, the estimated price per unit described in (iv) above and the estimated percentage allocation of the purchase amount of the packaging materials to the San Miguel Group as described in (v) above. We have reviewed the workings and noted that they are consistent with the abovementioned description.

The Group also included an approximately 10% buffer of the entire transaction amount in order to provide flexibility to the Company in case of any unforeseen increase in the market demand of packaging materials. We believe that given there are many outside uncontrollable variables in determining the Annual Caps, it is reasonable to build in a buffer as a precautionary measure. Such uncontrollable variables may be caused by pandemic or geo-political act which affects the global supply chain and triggers rising cost of raw materials, production and logistics. As mentioned in the World Economic Outlook: Policy Pivot, Rising

Threats published by International Monetary Fund in October 2024, we noted that annual inflation rose unexpectedly due to COVID and peaked at about 8% for advanced economy, whilst the inflation for and emerging market low-income economy were even higher at about 11%. Since the uncontrollable factors caused by pandemic can affect cost of raw materials, production and logistics, we are of the view that we can take the example of what the inflation was like during COVID, and use this as a basis for the buffer. Hence, by excluding the country inflation which the Company has already taken into account in the pricing as mentioned above for the PRC, the difference will be around 8% (using the figure for emerging market and low-income economy), we are of the view that such difference justifies the 10% buffer and is fair and reasonable.

We noted that the Annual Caps for the purchase of packaging materials from the San Miguel Group is already reduced as compared with the existing annual caps previously set for the years 2023 to 2025. Notwithstanding the low historical utilisation rate of the existing annual caps for the years ended 31 December 2023 and 2024 due to the relatively higher prices offered by the San Miguel Group as compared with the Independent Third Party suppliers for most of the packaging materials required, as discussed under section 4.1.1 above, the Management considers that it is necessary to maintain such level of Annual Caps (i.e. HK$47.0 million for 2026, HK$50.3 million for 2027 and HK$53.9 million for 2028) and we concur due to the following reasons:

- With reference to the historical record, we noted the Group's purchase of packaging materials from the San Miguel Group had increased from approximately HK$2.7 million in 2023 to approximately HK$3.8 million in 2024, representing a year-on-year increase of approximately 44.3%. We also noted that the Group had purchased 1 category of packaging materials from the San Miguel Group during the two years ended 31 December 2024 as opposed to the estimated 5 categories of packaging materials from the San Miguel Group during the two years ended 31 December 2024 (when preparing the budget for the Previous Master Agreement back in 2022). In addition, according to the Group's latest business plan, we noted that the Group is expected to purchase a total of 5 categories of packaging materials from the San Miguel Group (i.e. including the existing category of packaging materials which the Group had purchased from the San Miguel Group during the two years ended 31 December 2024) from 2025 going forward due to better pricing being offered than from the Independent Third Party suppliers and to include 2 more categories of packaging materials to be purchased from the San Miguel Group from 2025 going forward as backup. In short, the Group is expected to purchase a total of 7 categories of packaging materials from the San Miguel Group going forward under the 2025 Master Agreement versus the purchase of only 1 category of packaging materials from the San Miguel Group in 2023 and 2024.

- Based on our discussion with the Management and our review of the internal control procedures for selecting suppliers during the two years ended 31 December 2024, we noted that it is the Group's policy to avoid reliance on any one supplier for packaging materials and therefore, it is generally the case that two or more suppliers will be selected to supply a specified material for the specified period.

- We also understand that the Group requires a stable supply of materials to ensure uninterrupted ongoing business operation, and therefore, the Group would primarily consider suppliers which have a long-term business relationship with the Group with their supply of goods meeting the stringent quality requirements of the Group.

- Due to the continuous geo-political conflicts (as mentioned in paragraph "1.3 Prospects of the Group" above), it is expected that the global economic environment will remain challenging and may cause fluctuations in the price of materials and disruption on supply chain and shipping in the near future. Therefore, despite of the relatively higher price offered by the San Miguel Group in the past two years, the Management believes and we concur that it is fair and reasonable for the Group to maintain the Annual Caps (but a smaller amount relative to the existing annual caps) for the purchase of packaging materials from the San Miguel Group, being one of the few suppliers that could meet such requirements of the Group with the working relationship between them lasting for over 16 years, to provide flexibility to the Group in sourcing packaging materials from a reliable and readily available supplier so as to ensure ongoing business operation not to be disrupted in case the other suppliers become unavailable or their offer prices become unfavourable to the Group under the expected uncertain global economic environment in the near future.

We wish to stress that the Annual Caps is a mean by which the amount of packaging materials to be purchased is monitored but not a commitment to purchase to be made by the Group and the Group has been strictly following the internal control procedures based on our review as discussed under section 3.1 above.

Taking into account the above, in particular, the San Miguel Group can be the Group's backup alternative supply source to avoid concentration on one particular supplier and to provide flexibility for the Group in view of the challenging economic environment worldwide given the limited number of qualified suppliers for these types of materials, we are of the view that estimated percentage allocation to the San Miguel Group in relation to the purchase of packaging materials are fair and justifiable.

Given that each of the aforesaid items has been fairly and reasonably arrived at, and more categories of packaging materials are expected to be purchased from the San Miguel Group from 2025 going forward versus only 1 category of packaging materials purchased from the San Miguel Group in 2023 and 2024, we consider that the Annual Caps in respect of the purchase of packaging materials from the San Miguel Group have also been fairly and reasonably arrived at.

4.2.2 Purchase of packaged beer by the Group from the San Miguel Group

Based on our review of the workings and discussion with the Management, we understand that the Annual Caps in respect of the purchase of packaged beer from the San Miguel Group were determined with reference to the information set out below:

(i) The historical sales amount of packaged beer by the Group from the San Miguel Group for the two years ended 31 December 2024

We noted that for the two years ended 31 December 2024, the sales amount of packaged beer by the Group from the San Miguel Group amounted to approximately HK$1.21 million and HK$1.26 million respectively, representing a year-on-year slight increase of approximately 3.5%.

(ii)&(vi) The projected purchase volumes of packaged beer for the year ending 31 December 2025 taking into account the latest business strategies of enriching the product mix of the Group

Based on our review of the workings, we noted that according to the discussion between the Company and the San Miguel Group, the Group is expected to purchase approximately 30,500 units of packaged beer from the San Miguel Group in 2025, representing an increase of approximately 64.2% as compared to the actual purchase volume of approximately 18,500 units in 2024. We noted from such workings the increase was mainly attributable to the expanded types of products from a total of 3 (long-running products) in 2023 and 2024 to a total of 6 in 2025.

The abovementioned 30,500 units of packaged beer is not a committed amount, rather an estimation as a result of an arm's length negotiation. Besides, we noted that the Group had purchased approximately 39,000 units of packaged beer from the San Miguel Group in 2021. Accordingly, we are of the view that the expected purchase volume is feasible, fair and reasonable.

(iii) Projected growth rate in purchase volume of packaged beer by the Group for each of the years ending 31 December 2026, 2027 and 2028

The 2026 projected demand in the volume of packaged beer was made with reference to the estimated transaction volume in 2025 and a 5% growth taking into account the business strategies to be implemented by the Group. After the 2026 projected demand was determined, a projected rate of 5% year-on-year percentage growth in demand of the packaged beer was applied for 2027 and 2028.

While the Group's business was dip during the six months ended 30 June 2024, we noted that the packaged beer products purchased by the Group from the San Miguel Group with the largest volume had achieved an annual growth rate of approximately 24.5% during the two years ended 31 December 2024. On this basis, we are of the view that the estimation of a 5% annual growth rate in determining the Annual Caps is fair and reasonable.

(iv)&(v) The prevailing prices of the beer products offered by the San Miguel Group and the estimated price of packaged beer purchased from the San Miguel Group for the three years ending 31 December 2028

We have obtained the prevailing prices of the beer products for 2024 and noted that the Management has estimated increase in the price which is attributable to, among others, the possible inflation over the term of the 2025 Master Agreement. Given the economic conditions over the term of the 2025 Master Agreement, we are of the view that the estimated price of the packaged beer has taken into account possible inflation is fair and reasonable and such prices have been fairly estimated.

(vi) The total projected cost of these transactions for the years ending 31 December 2026, 2027 and 2028 were calculated taking into account a buffer to avoid any undue disruption and detriment to the business operations of the Group

Using the information in (iii) and (v) above, the total projected cost of these transactions for the three years ending 31 December 2028 was calculated. We have reviewed the workings and noted that they are consistent with the abovementioned description.

A buffer of approximately 10% of the entire transaction amount was added in the calculations to allow flexibility to the Company in case of any unforeseen, relatively minor increase in projected demand. We believe that given there are many outside variables in determining the Annual Caps (e.g. Independent Third Party suppliers and distributors outside of the Group's control), it is reasonable to build in a buffer as a precautionary measure. As explained in 4.2.1(vi) above, we are of the view that the 10% buffer is fair and reasonable.

Given that each of the aforesaid items has been fairly and reasonably arrived at, we consider that the Annual Caps in respect of the purchase of packaged beer from the San Miguel Group have also been fairly and reasonably arrived at.

4.2.3 Sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group provided that sales or distribution of packaged beer shall not be carried out in the Philippines, unless through SMB

Based on our review of the workings and discussion with the Management, the Annual Caps in respect of the sale of packaged beer and non-alcoholic beverages to the San Miguel Group were determined by reference to the information set out below:

(i) The historical sales amount of packaged beer and non-alcoholic beverages by the Group to the San Miguel Group for the two years ended 31 December 2024

We noted that for the two years ended 31 December 2024, total sales amount of packaged beer and non-alcoholic beverages by the Group to the San Miguel Group amounted to approximately HK$406.1 million and HK$392.4 million respectively, representing a year-on-year decrease of approximately 3.4% due to the lower export demand.

(ii) Projected sales volumes of packaged beer and non-alcoholic beverages for export market for the years ending 31 December 2026, 2027 and 2028 after having discussed with the San Miguel Group

By reference to the historical growth of the sales volume of the relevant products, we noted that over the past 10 years from 2015 to 2024, the sales volume of the relevant products has recorded a compound growth rate of 10.6%. On the above basis, the Group has assumed a 10% annual growth in the sales volume of the relevant products for 2025 to 2028 which we considered to be fair and reasonable.

(iii) The projected cost of the packaged beer and non-alcoholic beverages for export market for the years ending 31 December 2026, 2027 and 2028

Total cost for the years ending 31 December 2026, 2027 and 2028 was calculated using the projected cost of individual products to be sold to the San Miguel Group for the year ending 31 December 2025 with reference to historical cost of sales by factoring in an estimated annual increase in cost on, amongst others, direct materials, direct labour, direct containers, direct manufacturing supplies, direct utilities, distribution cost and other variable production cost, which differs depending on whether the products are to be sold by the Group's Hong Kong-based operations or the PRC-based operations. The annual rate of increase in costs was made reference to (i) the historical transaction volume; (ii) the Group's discussions with the San Miguel Group regarding future demand volume; (iii) the Management's expectations of future industry conditions; and (iv) the year-on-year consumer price inflation in the PRC or Hong Kong. We have reviewed the workings and noted that they are consistent with the abovementioned description and are fair and reasonable.

(iv) The projected sales of the packaged beer and non-alcoholic beverages for export market for the years ending 31 December 2026, 2027 and 2028

The Group's projected sales of packaged beer and non-alcoholic beverage products to the San Miguel Group are derived by multiplying the estimated selling price of packaged beer and non-alcoholic beverages for export market with the projected sales volume described in (ii) above. We have reviewed the workings and noted that they are consistent with the abovementioned description.

With respect to the abovementioned selling price of packaged beer and non-alcoholic beverages for export market, we noted that such selling price is derived from the total cost of individual products described in (iii) above multiplied by a specified profit margin that is made with reference to (a) the historical profit margin earned by the Group; (b) the profit margins imposed by the Group on Independent Third Party customers in respect of the sales of similar packaged beer and non-alcoholic beverage products; and (c) negotiations between the Group and the San Miguel Group based on reasonable commercial principles. We have obtained and reviewed the historical profit margins of the Group's packaged beer and non-alcoholic beverage products for the two years ended 31 December 2024. We noted that the fixed margin applied to those packaged beer and non-alcoholic beverage products sold to the San Miguel Group were comparable and no more favourable than those sold to Independent Third Party customers. Accordingly, we are of the view that the selling price of packaged beer and non-alcoholic beverages for export market is fair and reasonable and the projected sales of packaged beer and non-alcoholic beverages for export market is also fair and reasonable.

A buffer of approximately 10% of the entire transaction amount was included in the calculations to provide flexibility to the Company in case of any unforeseen, relatively minor increase in projected sales. We believe that given there are many outside variables in determining the Annual Caps, it is reasonable to build in a buffer as a precautionary measure. As explained in 4.2.1(vi) above, we are of the view that the 10% buffer is fair and reasonable.

Given that each of the aforesaid items has been fairly and reasonably arrived at, we are of the view that the Annual Caps in respect of the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group have been fairly and reasonably arrived at.

Shareholders should note that the Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Annual Caps would depend on a number of factors, including but not limited to, the actual demand of the Group's beverages. The Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

5. Internal control measures regarding the Continuing Connected Transactions

We understand from the Management that the Company has adopted a set of internal control measures to ensure that the Continuing Connected Transactions are carried out in accordance with the pricing policies and the terms of the 2025 Master Agreement, and that the purchase prices of the relevant products from the San Miguel Group/the selling prices of the relevant products to the San Miguel Group are on normal commercial terms or better and on terms no less favourable than those terms offered to the Group by, or offered by the Group to, Independent Third Parties for similar products, as discussed in details under section 3 above.

Such internal control measures include namely (i) the preparation of a budget with respect to each type of Continuing Connected Transactions for the year ending 31 December Year X in the third quarter of Year X-1; (ii) the logistics department implements the internal pricing policy and procurement policy of the Group for the purchase of packaging materials from the San Miguel Group; while the finance department implements the internal pricing policy for the purchase of packaged beer from the San Miguel Group, and for the sale of packaged beer and non-alcoholic beverage products to the San Miguel Group; (iii) the Managing Director/General Manager approves the logistics department's or the finance department's (as the case may be) recommendations and any subsequent changes; (iv) the finance department and logistics department to monitor the execution of purchase orders/sales orders to ensure they are within the respective terms of the Continuing Connected Transactions; and (v) the amounts of the Annual Caps utilised for each of the Continuing Connected Transactions would be presented to the Board and the audit committee of the Company on a quarterly and semi-annually basis, respectively.

The Directors consider that such internal control procedures on pricing can effectively ensure that the pricing and terms of the transactions contemplated under the 2025 Master Agreement are conducted on normal commercial terms and on terms no less favourable to the Group and in accordance with the pricing policy of the Group.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Continuing Connected Transactions annually and confirm in the Company's annual report that they have been carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In compliance with the Listing Rules, the Company had engaged auditors to report on the Continuing Connected Transactions for the two years ended 31 December 2024. The Company will continue to engage auditors to report on the Continuing Connected Transactions for each of the three years ending 31 December 2028. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Continuing Connected Transactions contemplated under the 2025 Master Agreement are on normal commercial terms or better and are fair and reasonable; (ii) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; and (iii) the respective Annual Caps have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Continuing Connected Transactions contemplated under the 2025 Master Agreement and the Annual Caps related thereto at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*