
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in San Miguel Brewery Hong Kong Limited (the “Company”), you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND NOTICE OF THE EGM

Financial adviser to the Company



紅日資本有限公司

RED SUN CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the board of directors of the Company is set out on pages 4 to 19 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Altus Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 46 of this circular.

A notice convening the EGM of the Company to be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 23 April, 2025, at 3:45 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) is set out on pages 55 to 56 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete and sign the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“2025 Master Agreement”	the master agreement dated 24 February 2025 entered into between the Company and SMC in respect of the Continuing Connected Transactions for the period commencing on 1 January 2026 to 31 December 2028
“Announcement”	the announcement of the Company dated 24 February 2025 relating to the Continuing Connected Transactions
“Annual Cap(s)”	the proposed maximum annual aggregate value for each of the Continuing Connected Transactions under the 2025 Master Agreement for each of the three years ending 31 December 2028
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors but for the purpose of expressing the board of Directors’ view on the Continuing Connected Transactions and Annual Caps contemplated under the 2025 Master Agreement, excludes Mr. Ramon S. Ang who abstained from voting at the board meeting during which such 2025 Master Agreement, Continuing Connected Transactions and Annual Caps were considered in view of his substantial interest in Top Frontier and SMC
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange (stock code: 236)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	the following transactions between the Group and 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 SMB
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the 2025 Master Agreement, the Continuing Connected Transactions and the Annual Caps
“Existing Master Agreement”	the master agreement dated 7 March 2022 entered into between the Company and SMC in respect of the Continuing Connected Transactions for the period commencing on 1 January 2023 to 31 December 2025
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Alonzo Q. Ancheta, Mr. Thelmo Luis O. Cunanan, Dr. the Hon. Sir David K. P. Li and Mr. Reynato S. Puno, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the 2025 Master Agreement, the Continuing Connected Transactions and the Annual Caps
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the 2025 Master Agreement, the Continuing Connected Transactions and the Annual Caps
“Independent Shareholders”	the Shareholder(s), other than SMC and its associates
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with (i) any of the directors, chief executives, or controlling shareholders and substantial shareholders, of the Company or any of its Subsidiaries, and (ii) the respective associates of such directors, chief executives, or controlling shareholders and substantial shareholders
“Latest Practicable Date”	18 March 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and as amended from time to time

DEFINITIONS

“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“San Miguel Group”	SMC and its associates, excluding the Group, for the purpose of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SMB”	San Miguel Brewery Inc., an indirect controlling Shareholder of the Company through Neptunia Corporation Limited and owned as to approximately 51.16% by SMFB
“SMC”	San Miguel Corporation, an indirect controlling Shareholder of the Company through Neptunia Corporation Limited
“SMFB”	San Miguel Food and Beverage, Inc., an indirect controlling Shareholder of the Company through Neptunia Corporation Limited and a subsidiary of SMC, which owns 51.16% of SMB
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Top Frontier”	Top Frontier Investment Holdings, Inc., an indirect controlling Shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US dollars”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Chan Weng Kheong

Non-executive Directors:

Ramon S. Ang (*Chairman*)

Carlos Antonio M. Berba (*Deputy Chairman*)

Aurora T. Calderon

May (Michelle) W. M. Chan

Yoshinori Inazumi

Katsuhisa Nose

Fumiaki Ozawa

Registered office:

9th Floor

Citimark Building

28 Yuen Shun Circuit

Siu Lek Yuen

Shatin, New Territories

Hong Kong

Independent non-executive Directors:

Alonzo Q. Ancheta

Thelmo Luis O. Cunanan

David K. P. Li, *GBM, JP* (alternate: Sum Li)

Reynato S. Puno

28 March 2025

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

References are made to the Announcement in relation to, among others, the 2025 Master Agreement (including the Annual Caps) and the transactions and matters contemplated thereunder. 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.

LETTER FROM THE BOARD

As the respective annual caps under the Existing Master Agreement will expire on 31 December 2025, the Company and the San Miguel Group entered into the 2025 Master Agreement on 24 February 2025, pursuant to which the annual caps under the Existing Master Agreement will be renewed for the three years ending 31 December 2028.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the 2025 Master Agreement and the transactions contemplated thereunder as well as the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2025 Master Agreement and the transactions contemplated thereunder, as well as the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Master Agreement and the transactions contemplated thereunder, as well as the Annual Caps; and (iv) a notice of the EGM to the Shareholders.

THE 2025 MASTER AGREEMENT

Date

24 February 2025

Parties

The Company and SMC

Continuing Connected Transactions and the Annual Caps

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; (ii) purchase of packaged beer by the Group from the San Miguel Group; 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 SMB. The purchase of packaging materials by the Group from the San Miguel Group is for the production of the Group; while the purchase of packaged beer by the Group from the San Miguel Group is for the Group's wholesale and retail distribution.

Term

Subject to the Independent Shareholders' approval, the 2025 Master Agreement shall subsist for three years commencing from 1 January 2026 until 31 December 2028.

LETTER FROM THE BOARD

Conditions

The 2025 Master Agreement, Continuing Connected Transactions contemplated under the 2025 Master Agreement and the Annual Caps are subject to approval by the Independent Shareholders under the Listing Rules; and that an EGM will be convened to seek Independent Shareholders' approval for the 2025 Master Agreement, the Continuing Connected Transactions and the Annual Caps. In the event that the 2025 Master Agreement, Continuing Connected Transactions and the Annual Caps are not approved by the Independent Shareholders, the Company has the right to terminate the 2025 Master Agreement.

Pricing policy and internal control procedures

The Logistics Department of the Company (the "**Logistics Department**") is responsible for implementing the pricing policy and the procurement policy of the Company. The pricing policy of the Company in respect of the Continuing Connected Transactions is on an arm's length basis and is consistent with the Group's historical pricing policy in respect of the past transactions between the Group and the San Miguel Group.

The internal control procedures for each type of Continuing Connected Transactions are described below:

(a) Where the Group purchases packaging materials from the San Miguel Group

Pursuant to 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 with reference to the prices and credit terms (the "**Quotation(s)**") offered by at least two Independent Third Party approved suppliers (the "**Independent Approved Supplier(s)**") of the Group who are able to meet the Group's stringent quality requirements and delivery schedules in general. Such Quotation(s) set out the fixed unit rates or formulae for calculating the actual prices of packaging materials and credit terms of all purchases of packaging materials to occur during the year. 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.

Once the Quotations are obtained, the Logistics Department will decide upon the percentage of each packaging material to be sourced from each supplier (including the San Miguel Group and the Independent Approved Suppliers), primarily taking into account the quality of supply, and the stability of supply and pricing. The Logistics Department also considers other factors including the supply history of each supplier. It is the Group's policy to, within reason, avoid reliance on any one supplier for individual packaging material and therefore it is generally the case that two or more suppliers will be selected to supply a specified percentage of each individual packaging material for the specified period.

LETTER FROM THE BOARD

On an annual basis, the Logistics Department will present a report on the packaging materials to be purchased from the San Miguel Group and other Independent Approved Suppliers together with its recommendations on the Quotation(s) and the selection of suppliers, among other things, to the Managing Director of the Company (the “**Managing Director**”) for approval. If the Logistics Department obtains less than two Quotations from Independent Approved Suppliers, the reasons will be provided for consideration.

As the prices of certain key ingredients for producing the packaging materials, including metal, fluctuate widely and in turn affect the prices of the packaging materials, the Quotations are reviewed quarterly by the Logistics Department and may be adjusted accordingly. As the Group has not committed to ordering a minimum amount of packaging materials from any suppliers, the Group may purchase from suppliers who make more favourable offers during the year. Any subsequent changes to the recommendations on the purchase prices or the selection of the suppliers are subject to the approval of the Managing Director.

Given that prices of packaging materials are part of the costs for producing the Group’s beer products, if comparable price quotations were not available, the Group would assess the fairness and reasonableness of price quotations of packaging materials offered by the San Miguel Group by reference to the target profit margins of the Group’s beer products which will be no less than the average profit margins of the other beer products distributed by the Group that are comparable in terms of retail price, packaging (such as draught beer, can or bottle beer), type of beer product (such as lager, ale and wheat beer) and geographic coverage (that is, local sales or export sales), and the total costs of production for producing these products.

(b) Where the Group purchases packaged beer from the San Miguel Group

According to the 2025 Master Agreement, in respect of the purchase of packaged beer by the Group from the San Miguel Group, 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 Approved Suppliers. 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 on reasonable commercial principles.

The Finance Department of the Company (the “**Finance Department**”) will obtain the prices and other terms of beer products purchased by the Group from Independent Approved Supplier(s).

LETTER FROM THE BOARD

As a distributor of certain imported beer products manufactured by Independent Approved Suppliers, the Group established a database of the purchase prices of those certain imported beer products. In order to determine the fairness and reasonableness of the price quotations offered by the San Miguel Group, the Finance Department will ensure that the price quotations offered by the San Miguel Group are within the range of prices offered to the Group by at least two Independent Approved Suppliers of imported beer products considered to be comparable to the packaged beer to be purchased from the San Miguel Group in terms of retail price, packaging (such as draught beer, can or bottle beer) and types of beer product (such as lager, ale and wheat beer). On this basis, the Finance Department will make an evaluation to ensure the profit generated from the distribution of packaged beer supplied by the San Miguel Group will be no less than the profits generated from the distribution of comparable imported beer products supplied by Independent Approved Suppliers.

The Finance Department will prepare a report comparing the net supply cost to the Company of each imported beer products with the corresponding selling price on per volume basis. Any update on the report shall be reviewed and approved by the Managing Director. As the Group has not committed to ordering a minimum amount of beer products from any supplier, the Group may adjust the quantity of beer products purchased from any supplier during the year based on the actual sales performance of the beer products and market conditions.

Given that the purchase prices of packaged beer are in fact the costs of selling packaged beer by the Group, if comparable price quotations were not available, the Group would assess the fairness and reasonableness of the price quotations of the packaged beer offered by the San Miguel Group by reference to the target profit margins from the distribution of the packaged beer by the Group which will be no less than the average profit margins of the other beer products manufactured and sold locally by the Group that are comparable in terms of retail price, packaging (such as draught beer, can or bottle beer) and type of beer product (such as lager, ale and wheat beer).

(c) Where the Group sells packaged beer and non-alcoholic beverage products to the San Miguel Group

According to the 2025 Master Agreement, the pricing for the sales of packaged beer and non-alcoholic beverage products by the Group to the San Miguel Group shall be determined annually in the ordinary course of business and based on the Group's production costs plus a margin. This margin will be determined with reference to profit margins that are not less favorable to the Group than those applied to Independent Third Party customers for similar products. In the event that no comparable profit margins are available, the profit margins will be determined through arm's length negotiations between the Group and the San Miguel Group, based upon reasonable commercial principles. Pricing of the packaged beer and non-alcoholic beverage products shall be determined with reference to the following principle:

$$\text{Price} = (\text{production costs} + \text{related fees} + \text{tax payment}) \times (1 + \text{profit margin})$$

LETTER FROM THE BOARD

The Finance Department will annually prepare a report detailing the selling prices of relevant products, profit margins, and production costs, based on cost data obtained by the Logistics Department for the Managing Director's approval. In order to ensure the fairness and reasonableness of the profit margins for packaged beer and non-alcoholic beverage products sold to the San Miguel Group, the Group will compare the profit margins of the packaged beer and non-alcoholic beverage products for sale to the San Miguel Group with profit margins of the products sold to Independent Third Party customers which are comparable to the products sold to the San Miguel Group in terms of retail price and packaging (e.g. draught beer, canned or bottled beer), and types of beer (e.g., lager, ale, wheat beer). If no comparable profit margins are available, the Group assesses the fairness and reasonableness of the profit margins of products sold to San Miguel Group by reference to the average profit margin of all products sold by the Group. Any subsequent changes to the selling prices are subject to the approval of the Managing Director.

The credit terms offered by the Group will be determined by reference to the credit terms offered by the Group to its Independent Third Party customers, and if no comparable credit terms are available, the credit terms shall be determined through arms' length negotiations between the Group and the San Miguel Group based upon reasonable commercial principles.

The Group monitors and reviews the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group on a monthly basis.

LETTER FROM THE BOARD

Historical amounts

Set out below is a summary of the existing annual caps and the historical amounts of the Continuing Connected Transactions under the Existing Master Agreement for the two years ended 31 December 2024:

	For the year ended 31 December					
	2023			2024		
	Actual amount <i>(audited)</i> <i>HK\$'000</i>	Annual cap amount <i>HK\$'000</i>	Utilisation rate <i>Percentage</i>	Actual amount <i>(audited)</i> <i>HK\$'000</i>	Annual cap amount <i>HK\$'000</i>	Utilisation rate <i>Percentage</i>
Purchase of packaging materials by the Group from the San Miguel Group	2,664	47,000	5.7%	3,843	49,000	7.8%
Purchase of packaged beer by the Group from the San Miguel Group	1,214	4,100	29.6%	1,256	4,600	27.3%
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	406,103	407,000	99.8%	392,429	480,000	81.8%

The existing annual caps under the Existing Master Agreement for the year ending 31 December 2025 are the following: (i) the purchase of packaging materials by the Group from the San Miguel Group amounted at approximately HK\$51.0 million; (ii) the purchase of packaged beer by the Group from the San Miguel Group amounted at approximately HK\$5.1 million; and (iii) the 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) amounted at approximately HK\$563.0 million. For the one month ended 31 January 2025, the Group recorded the following Continuing Connected Transactions during the period: (i) the purchase of packaging materials by the Group from the San Miguel Group amounted at approximately HK\$0.1 million; (ii) the purchase of packaged beer by the Group from the San Miguel Group amounted at approximately HK\$0.2 million; and (iii) the 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) amounted at approximately HK\$50.3 million.

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Annual Caps

Set out below is a summary of the respective Annual Cap under the 2025 Master Agreement for the three years ending 31 December 2028:

	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
Purchase of packaged beer by the Group from the San Miguel Group	3,100	3,400	3,700
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

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

In determining the Annual Cap in relation to the purchase of packaging materials by the Group from the San Miguel Group under the 2025 Master Agreement for each of the three years ending 31 December 2028, the Annual Cap was determined after taking into account: (i) the historical sales amount of beer products by the Group for the two years ended 31 December 2023 and 2024; (ii) the latest marketing plan of the Group's various products; (iii) the estimated demand of the packaging materials required for the production of the Group's various products for each of the three years ending 31 December 2028; (iv) the estimated purchase price of various packaging materials for each of the three years ending 31 December 2028; (v) the consequential increase in the need for the relevant packaging materials to meet the Group's production requirements; and (vi) a buffer to avoid any undue disruption and detriment to the business operations of the Group if such Annual Cap is to be revised and re-approved by the Independent Shareholders.

It is noted that the utilization rates of the Annual Cap for the purchase of packaging materials were relatively low for the two years ended 31 December 2023 and 2024 as the prices offered by the San Miguel Group was relatively higher than the price offered by the Independent Approved Suppliers. Notwithstanding the low utilization rate during the two years ended 31 December 2023 and 2024, the management of the Company (the "**Management**") considers that it is prudent to maintain the Annual Cap at such level (as disclosed in the above table) taking into account (i) increased trend in historical purchase volume from the San Miguel Group for the two years ended 31 December 2023 and 2024; (ii) the Group's latest business plan to purchase an additional four more categories of packaging materials from the San Miguel Group from 2025 going forward as well as two more categories of packaging material as backup, subject to the pricing policy under the Continuing Connected Transactions; (iii) the Group's need for a stable and reliable supplier

LETTER FROM THE BOARD

of packaging materials to ensure uninterrupted ongoing business operation notwithstanding that the Group has a number of Independent Approved Suppliers for the supply of packaging materials, and, in the event that the quality and/or pricing of the Independent Approved Suppliers are unable to meet the Group's requirement and/or schedule, the Group always has the option to source from the San Miguel Group, subject to the pricing policies under the 2025 Master Agreement, since the San Miguel Group has proven to be a stable and reliable supplier to meet the Group's operational needs; and (iv) the need to hedge against uncertainties and risks arising from external factors including geo-political tensions and potential tariffs impositions amongst countries that are beyond the Group's control, which might lead to increase in materials prices and further disruption to the continued supply of packaging materials to the Group. Having considered the above, the Directors are of the view that the proposed Annual Cap, which provide the flexibility, but not obligation to, purchase packaging materials from San Miguel Group for each of the three years ending 31 December 2028, to be in the interests of the Company and its Shareholders and are fair and reasonable.

The Annual Cap is a means by which the amount of packaging materials to be purchased is monitored but the Group is not committed to purchase any packaging materials or make any exclusive purchase from the San Miguel Group.

The Annual Cap allows the Group to have flexibility to source from reliable and readily available suppliers. The Group requires a stable supply of materials to ensure uninterrupted ongoing business operations, and therefore, the Group would primarily consider suppliers which have a long-term business relationship with the Group and supply of goods which meet the stringent quality requirements of the Group, and which meet the delivery schedules of the Group. The San Miguel Group is one of the few suppliers that meets such requirements of the Group with a working relationship of over 16 years.

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

In determining the Annual Cap in relation to the purchase of packaged beer by the Group from the San Miguel Group under the 2025 Master Agreement for each of the three years ending 31 December 2028, the Annual Cap was determined after taking into account: (i) the historical sales amount of packaged beer by the Group from the San Miguel Group for the two years ended 31 December 2023 and 2024; (ii) the forecasted purchase volumes of packaged beer for the year ending 31 December 2025; (iii) the estimated growth in purchase volumes of packaged beer for each of the three years ending 31 December 2028; (iv) the prevailing prices of comparable beer products offered by Independent Approved Suppliers to the Group; (v) the estimated price of packaged beer purchased from the San Miguel Group for each of the three years ending 31 December 2028; (vi) the latest business strategies of enriching the product mix of the Group; (vii) an estimated increase in the prices of packaged beer purchased from the San Miguel Group which is attributable to, among others, the possible inflation over the term of the 2025 Master Agreement; and (viii) a buffer to avoid any undue disruption and detriment to the business operations of the Group if such Annual Cap is to be revised and re-approved by the Independent Shareholders.

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Sales of packaged beer and non-alcoholic beverage products by the Group

In determining the Annual Cap in relation to the sales of packaged beer and non-alcoholic beverage products by the Group under the 2025 Master Agreement for each of the three years ending 31 December 2028, the Annual Cap was determined after taking into account: (i) the product lines, the expected demand for the Group's products and the Company's expectations on the demand for the Group's packaged beer and non-alcoholic beverage products for export markets after having discussed with the San Miguel Group; (ii) the estimated relevant costs of production and distribution of packaged beer and non-alcoholic beverage products; (iii) the estimated selling price of packaged beer and non-alcoholic beverage products to the San Miguel Group; (iv) the total historical sale volumes of packaged beer and non-alcoholic beverage products for the two year ended 31 December 2023 and 2024; and (v) the estimated growth in such sale volumes for the three years ending 31 December 2028; and (vi) a buffer to avoid any undue disruption and detriment to the business operations of the Group if such Annual Cap is to be revised and re-approved by the Independent Shareholders.

The San Miguel Group acts as the export channel to serve potential end-customers across different geographical regions. All of the San Miguel Group's sales are conducted on a back-to-back arrangement that was derived entirely from orders of end-customers, where the Group 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.

In light of the above, the Board is of the view that such arrangement will not give rise to a material reliance on the San Miguel Group considering 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 exports 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.

LETTER FROM THE BOARD

Although the Board is of the view that there is no material reliance on the San Miguel Group, the Company shall continue to closely monitor the sales of packaged beer and non-alcoholic beverage products to the San Miguel Group to ensure that the terms of the Continuing Connected Transactions between the Group and the San Miguel Group comply with the pricing policy and terms under the 2025 Master Agreement. The Company will also review the sales for packaged beer and non-alcoholic beverage products on a monthly basis to ensure it does not exceed the Annual Cap, and such monitoring and review mechanism will be further supported by the annual review of the overall Continuing Connected Transactions by the Group's auditor. In the event that the sales for packaged beer and non-alcoholic beverage products to the San Miguel Group nears the Annual Cap, the Company will consider to increase the Annual Cap by re-complying with the provisions under the Listing Rules or manage and keep the aggregated transaction amount within the Annual Cap limit, as the case may be. Furthermore, the Group shall continue its business expansion plan, including enhancing its product offerings and developing distribution channels with a view to increase overall sales to Independent Third Parties customers over time.

However, in the unlikely event that the San Miguel Group ceases to serve as the export channel for the Group, 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 exports channel) 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.

Summary

Based on the above, and having considered the following: (i) the Group sources various packaging materials for use in the packaging and distribution of its beer products and 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; (ii) the Company sources packaged beer to complement the range of products of the Group and to diversify its product portfolio and strengthen the earnings potential for the Group; and (iii) the Company can diversify and increase its income source by selling packaged beer to the San Miguel Group and better utilising its production capacity, the Board considers that the Annual Caps in respect of the transactions contemplated under the 2025 Master Agreement for the three years ending 31 December 2028 to be fair and reasonable.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The principal activities of the Group are the manufacture and distribution of bottled, canned and draught beers and other beverage products.

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. 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.

LETTER FROM THE BOARD

Given the need arising from the daily operations of the Group, the Group sources various packaging materials, including cans, bottles, crown corks, and cartons, for the packaging and distribution of its beer products from time to time. Having considered that the San Miguel Group has established itself as a competitively priced and reliable supplier who meets the Group's stringent quality standards and delivery schedules, the Group can purchase packaging materials from the San Miguel Group on terms which the Group considers to be no less favourable than those terms offered to the Group by its Independent Approved Suppliers, subject to the pricing policy and terms of the 2025 Master Agreement.

The 2025 Master Agreement shall facilitate the Group's purchase of packaged beer from SMB, an indirect controlling Shareholder of the Company through Neptunia Corporation Limited, and owned as to approximately 51.16% by SMFB, to complement the range of products sold by the Group. The packaged beers purchased by the Group from the San Miguel Group are specialty beers which are not produced by the Group. The Management believes that the diverse products will enhance the product range and broaden the income base of the Group.

Each of the Existing Master Agreement and the 2025 Master Agreement were entered into in the usual and ordinary course of the Group's business and the terms of which were negotiated on normal commercial terms and the prices were determined after arm's length negotiation and on terms which the Group considers to be no less favourable than those terms offered to the Group by its Independent Approved Suppliers for such packaging materials and packaged beer of comparable product type and quantity at the relevant time.

The Management is of the view that other than purchasing packaging materials and packaged beer from Independent Approved Suppliers, the arrangement to purchase packaging materials and packaged beer from San Miguel Group pursuant to the 2025 Master Agreement provides the flexibility for the Group so as to secure the stable supply of packaging materials and packaged beer for the business expansion of the Group. Based on the consideration that the price of packaging materials and packaged beer to be offered by the San Miguel Group pursuant to the 2025 Master Agreement will be no less favourable to the Group than those price offered by Independent Approved Suppliers for the comparable product type, the Management expects to maintain a certain proportion of the Group's total projected volume of packaging materials and packaged beer for its operation to be purchased from the San Miguel Group for the three years ending 31 December 2028.

According to the 2025 Master Agreement, the Group shall provide sales of packaged beer and non-alcoholic beverage products to the San Miguel Group. The packaged beer and non-alcoholic beverage products sold by the Group to the San Miguel Group are produced at the Group's plants located at (i) Shunde District, Foshan City, Guangdong Province, the PRC; and (ii) Yuen Long, Hong Kong. The packaged beer and non-alcoholic beverage products sold by the Group to the San Miguel Group do not include those specialty beers which are purchased by the Group from the San Miguel Group.

Under the 2025 Master Agreement, the Group will continue to leverage its sales of packaged beer and non-alcoholic beverage products to the San Miguel Group to widen the income source of the Group. Currently, the Group does not have an international sales force outside Hong Kong, Macau and South China; while the San Miguel Group, on the other hand, possesses a robust global sales network that has the capability to develop overseas markets. Pursuant to the transactions contemplated under the 2025 Master Agreement, the Group shall be able to reach customers in overseas markets through the sales of such

LETTER FROM THE BOARD

packaged beer to the San Miguel Group, which markets and sells the products to customers through its international sales channels. Accordingly, the Group may export its products, through the San Miguel Group, to certain overseas markets to widen the income source of the Group. The Continuing Connected Transactions in relation to sales of packaged beer and non-alcoholic beverage products to the San Miguel Group will be denominated in US dollars or Hong Kong dollars, which allows the Group to minimise exchange rate risk and counterparty risk with the ultimate customers in the relevant export markets. The Management is of the view that such arrangement will help broaden market shares of the Company's products overseas. The Philippines market is not served by the Group (unless through SMB) because SMB, the indirect controlling Shareholder of the Company, is principally engaged in the business of the manufacture and sale of alcoholic beverages, particularly beer of all kinds and classes, and non-alcoholic beverages in the Philippines.

Considering that (i) the 2025 Master Agreement provides the flexibility for the Group to secure a stable supply of packaging materials and packaged beer for the business expansion of the Group; (ii) the unit price of packaging materials and packaged beer offered by the San Miguel Group to the Group shall be no less favourable than those offered by other Independent Approved Suppliers of the Group for the comparable product type and quantity at the relevant time; (iii) the Group continues to strengthen its business and increase its market share in Hong Kong, Macau and South China for packaged beer and non-alcoholic beverage products; and (iv) the unit price of packaged beer and non-alcoholic beverage products offered by the Group to the San Miguel Group shall be no less favourable than those offered to other Independent Third Party customers of the Group, the Directors (including the independent non-executive Directors whose opinion has been set out in this circular together with the advice of the Independent Financial Adviser) are of the opinion that the 2025 Master Agreement and the transactions contemplated thereunder, including the Continuing Connected Transactions, are on normal commercial terms and entered into in the ordinary and usual course of business of the Group, and the terms of the 2025 Master Agreement, including the Annual Caps, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

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.

The Annual Caps, when aggregated together pursuant to Rule 14A.83 of the Listing Rules, exceed HK\$10 million, and based on the aggregate of the Annual Caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, the 2025 Master Agreement is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the 2025 Master Agreement and the transactions contemplated thereunder, including the Continuing Connected Transactions, are on normal commercial terms and entered into in the ordinary course of business of the Group, and the terms of the 2025 Master Agreement (including the Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be held to consider and, if thought fit, pass the ordinary resolution to approve, among other matters, the 2025 Master Agreement and the transactions contemplated thereunder, and the Annual Caps.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Continuing Connected Transactions contemplated under the 2025 Master Agreement is required to abstain from voting on the relevant resolution at the EGM.

As at the Latest Practicable Date, SMC controls 245,720,800 Shares (representing approximately 65.78% of the total issued Shares). Accordingly, SMC and its associates are connected persons of the Company for the purposes of the Listing Rules. SMC and its associates will be required to abstain from voting on the ordinary resolution in relation to the 2025 Master Agreement (together with the Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the 2025 Master Agreement, the transactions contemplated thereunder, and the respective Annual Caps.

Mr. Ramon S. Ang is a director, and the President and Chief Executive Officer of Top Frontier, the Chairman and Chief Executive Officer of SMC, and the Chairman of SMFB and SMB. Mr. Ramon S. Ang and his associates are regarded as having material interests in the 2025 Master Agreement and the transactions contemplated thereunder. Accordingly, Mr. Ramon S. Ang (the Chairman and a non-executive Director of the Company) abstained from voting on the Board resolution for approving the 2025 Master Agreement and the transactions contemplated thereunder and the Annual Caps (the "**Board Resolution**") 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. Other than Mr. Ramon S. Ang, none of the Directors abstained from voting on the Board Resolution in compliance with Rule 14A.70 (11) of the Listing Rules.

The notice convening the EGM of the Company to be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 23 April, 2025 at 3:45 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn) is set out on pages 55 to 56 of this circular. An ordinary resolution will be proposed at the EGM to approve the 2025 Master Agreement and the transactions and matters contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholder is able to attend the EGM, the Shareholder is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholder from attending and voting at the EGM, or any adjournment thereof, should they so wish.

VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed ordinary resolution will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS AND THE EGM

The transfer books and register of members of the Company will be closed from Wednesday, 16 April 2025 to Wednesday, 23 April 2025, (both days inclusive) for the purpose of determining the Shareholders with the right to attend and vote at the EGM. In order to be qualified to attend and vote at the EGM, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the corresponding Share certificates are lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, with address at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 April 2025.

RECOMMENDATION

Taking into consideration the reasons set out in the section of this circular headed "Reasons for and Benefits of the Continuing Connected Transactions" above, the Directors (including the independent non-executive Directors whose views have been set out in the "Letter from the Independent Board Committee" section in this circular after taking into account the advice of Altus Capital) are of the view that (i) the terms of the 2025 Master Agreement (including the Annual Caps) have been negotiated on an arm's length basis between the parties and are fair and reasonable; (ii) the transactions contemplated under the 2025 Master Agreement, including the Continuing Connected Transactions, are on normal commercial terms and entered into in the ordinary and usual course of business of the Group; and (iii) the terms of the 2025 Master Agreement, including the Annual Caps, are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors (other than Mr. Ramon S. Ang who had abstained from voting at the Board meeting on the relevant Board Resolution) recommend the Shareholders to vote in favour of the ordinary resolution in relation to the 2025 Master Agreement and the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular, which contains its recommendation to the Independent Shareholders as to the 2025 Master Agreement and the Annual Caps; and (ii) the letter from Altus Capital set out on pages 22 to 46 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2025 Master Agreement and the Annual Caps and the reasons considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
San Miguel Brewery Hong Kong Limited
Ramon S. Ang
Chairman



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)

28 March 2025

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 28 March 2025 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the 2025 Master Agreement and the transactions contemplated thereunder, including the Continuing Connected Transactions, are on normal commercial terms, and entered into in the ordinary and usual course of business of the Group, and the terms of the 2025 Master Agreement as well as the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Further information of its advice is set out on pages 22 to 46 of the Circular. Your attention is also drawn to the letter from the Board set forth on pages 4 to 19 of the Circular.

Having considered the advice and recommendation of the Independent Financial Adviser, we are of the opinion that the 2025 Master Agreement and the transactions contemplated thereunder, including the Continuing Connected Transactions, are on normal commercial terms, and entered into in the ordinary and usual course of business of the Group, and that the terms of the 2025 Master Agreement as well as the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2025 Master Agreement and the transactions contemplated thereunder, including the Continuing Connected Transactions, and the Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Alonzo Q.
Ancheta**

**Mr. Thelmo Luis O.
Cunanan**

**Dr. the Hon. Sir
David K. P. Li**

**Mr. Reynato S.
Puno**

Independent non-executive Directors

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital to 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, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

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.

LETTER FROM ALTUS CAPITAL

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

LETTER FROM ALTUS CAPITAL

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.

LETTER FROM ALTUS CAPITAL

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).

LETTER FROM ALTUS CAPITAL

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 geopolitical 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

LETTER FROM ALTUS CAPITAL

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.

LETTER FROM ALTUS CAPITAL

- (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

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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".

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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.

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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

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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

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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	Cap	Utilisation	Actual	Cap	Utilisation	Actual	Cap	Utilisation	
	amount	amount	rate	amount	amount	rate	amount	amount	rate	
	(audited) HK\$'000	HK\$'000	%	(audited) 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%.

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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

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- 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

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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%

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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 hecto-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.

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- (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 geopolitical 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

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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.

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- 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

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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.

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- (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

LETTER FROM ALTUS CAPITAL

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.

LETTER FROM ALTUS CAPITAL

- (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.

LETTER FROM ALTUS CAPITAL

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.

LETTER FROM ALTUS CAPITAL

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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the Managing Director of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to (i) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

(i) *Interests in issued shares of the Company*

Name	Nature of Interest	Number of Shares held	Approximate percentage of the total issued Shares
David K.P. Li	Beneficial owner	12,936,264	3.46%

(ii) *Interests in issued shares of Top Frontier*

Name	Types of shares	Par Value (Philippine pesos)	Direct ownership	Indirect ownership	Total number of shares held	Approximate percentage of total issued shares
Ramon S. Ang	Common	1.00	75,887	131,658,451	131,734,338	34.860852%
Carlos Antonio M. Berba	Common	1.00	364	-	364	0.000096%
Aurora T. Calderon	Common	1.00	2,360	-	2,360	0.000625%

Note: All shares in Top Frontier were held by Mr. Ramon S. Ang, Mr. Carlos Antonio M. Berba and Ms. Aurora T. Calderon as personal interests.

(iii) Interests in issued shares of SMC

Name	Types of shares	Par Value (Philippine pesos)	Direct ownership	Indirect ownership	Total Number of shares held	Approximate percentage of total issued shares
Ramon S. Ang	Common	5.00	1,345,429	373,623,796	374,969,225	9.729852%
Carlos Antonio M. Berba	Common	5.00	2,600	–	2,600	0.000067%
Aurora T. Calderon	Common	5.00	22,600	–	22,600	0.000586%
Reynato S. Puno	Common	5.00	5,000	–	5,000	0.000130%

Note: All shares in SMC were held by Mr. Ramon S. Ang, Mr. Carlos Antonio M. Berba, Ms. Aurora T. Calderon and Mr. Reynato S. Puno as personal interests.

(iv) Interests in issued shares of SMFB

Name	Types of shares	Par Value (Philippine pesos)	Direct ownership	Indirect ownership	Total Number of shares held	Approximate percentage of total issued shares
Ramon S. Ang	Common	1.00	10	–	10	Less than 0.000001%
Carlos Antonio M. Berba	Common	1.00	10	–	10	Less than 0.000001%
Aurora T. Calderon	Common	1.00	10	–	10	Less than 0.000001%

Note: All shares in SMFB were held by Mr. Ramon S. Ang, Mr. Carlos Antonio M. Berba and Ms. Aurora T. Calderon as corporate interests.

(v) *Interests in issued shares of SMB*

Name	Types of shares	Par Value (Philippine pesos)	Direct ownership	Indirect ownership	Total Number of shares held	Approximate percentage of total issued shares
Ramon S. Ang	Common	1.00	5,000	-	5,000	0.000033%
Carlos Antonio M. Berba	Common	1.00	5,000	-	5,000	0.000033%
Alonzo Q. Ancheta	Common	1.00	10,000	-	10,000	0.000065%
Yoshinori Inazumi	Common	1.00	5,000	-	5,000	0.000033%
Fumiaki Ozawa	Common	1.00	5,000	-	5,000	0.000033%
Reynato S. Puno	Common	1.00	5,000	-	5,000	0.000033%

Note: Other than the common shares in SMB which were held by Mr. Alonzo Q. Ancheta and Mr. Reynato S. Puno as personal interests, all common shares in SMB were held by directors as corporate interests.

All interests in the shares of the Company and its associated corporations stated above are long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the Managing Director of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

(b) **Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

As at the Latest Practicable Date, the following persons (not being a Director or the chief executive of the Company) had an interest or short position, if any, in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Number of Shares held	Approximate percentage of the total issued Shares
Inigo Zobel (<i>Note 1</i>)	245,720,800	65.78%
Top Frontier (<i>Note 1</i>)	245,720,800	65.78%
SMC (<i>Note 1</i>)	245,720,800	65.78%
Kirin Holdings Company, Limited (“ Kirin ”) (<i>Note 1</i>)	245,720,800	65.78%
SMFB (<i>Note 1</i>)	245,720,800	65.78%
SMB (<i>Note 1</i>)	245,720,800	65.78%
San Miguel Brewing International Limited (<i>Note 1</i>)	245,720,800	65.78%
Neptunia Corporation Limited (“ Neptunia ”) (<i>Note 1</i>)	245,720,800	65.78%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	23,703,000	6.34%
CK Hutchison Holdings Limited (<i>Note 2</i>)	23,703,000	6.34%

Notes:

- Inigo Zobel, Top Frontier, the ultimate holding company, SMC, SMFB, Kirin (a principal shareholder of SMB), SMB, and San Miguel Brewing International Limited (“**SMBIL**”) are all deemed to hold the above disclosed interest indirectly through Neptunia in the Company because Inigo Zobel has a controlling interest in Top Frontier, Top Frontier has a controlling interest in SMC, SMC has a controlling interest in SMFB, and SMFB and Kirin hold more than one third of the voting power of SMB. SMB has a controlling interest in SMBIL and SMBIL has a controlling interest in Neptunia.
- Conroy Assets Limited, which holds 13,624,600 Shares, and Hamstar Profits Limited, which holds 10,078,400 Shares, are indirect wholly owned subsidiaries of Cheung Kong (Holdings) Limited (“**CKH**”) and CK Hutchison Holdings Limited (“**CK Hutchison**”). By virtue of the SFO, CKH and CK Hutchison are deemed to be interested in the shares of the Company held by Conroy Assets Limited and Hamstar Profits Limited.
- The following Directors and proposed Directors are directors/officers/employees of companies which have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Mr. Ramon S. Ang is a director, and the President and Chief Executive Officer of Top Frontier; the Chairman and Chief Executive Officer of SMC; and the Chairman of SMFB and SMB. Mr. Carlos Antonio M. Berba is a director and the Chief Operating Officer – Beer of SMFB; a director and the President of SMB; the Chairman, President and Managing Director of SMBIL and the Chairman of Neptunia. Ms. Aurora T. Calderon is a director and the Treasurer of Top Frontier; a director, and the Senior Vice President and Senior Executive Assistant to the Chairman and Chief Executive Officer of SMC; and a director of SMFB. Mr. Yoshinori Inazumi is a director and the Executive Financial Advisor of SMB and a director of SMBIL. Mr. Katsuhisa Nose is a director and the Executive Vice President of SMBIL. Mr. Fumiaki Ozawa is a director and the Executive Vice President of SMB and a director of SMBIL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the Managing Director of the Company had any interest and short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

(c) Interests in a subsidiary

As at the Latest Practicable Date, the following corporation was, directly or indirectly, interested in 10% or more of the total number of any class of issued shares carrying rights to vote in all circumstances at general meetings of the following member of the Group:

Name of subsidiary	Name of shareholder	Approximate percentage of interest in subsidiary
Guangzhou San Miguel Brewery Co. Ltd. (<i>Note</i>)	Guangzhou Brewery	30%

Note:

With reference to the announcement of the Company dated 25 November 2020, Guangzhou San Miguel Brewery Co., Ltd. (“**GSMB**”) ceased business operations after the expiry of its business term on 29 November 2020 and commenced the liquidation process on 30 November 2020 in accordance with the applicable laws of the PRC. Accordingly, the shareholders of GSMB also approved the establishment of a liquidation team for GSMB to carry out the liquidation of GSMB throughout the liquidation period (“**Liquidation Team**”).

With reference to the announcement of the Company dated 21 January 2022, during the liquidation process, the Liquidation Team determined that the assets of GSMB were insufficient to settle its debts. Despite the efforts undertaken by the Liquidation Team, GSMB was unable to reach a settlement with its creditors. In view thereof, pursuant to the Enterprise Bankruptcy Law of the PRC, on 21 January 2022, the Liquidation Team caused the filing of an application (“**Bankruptcy Application**”) for bankruptcy of GSMB with the Guangzhou Intermediate People’s Court, PRC.

With reference to the announcement of the Company dated 12 April 2022, the Company was informed that GSMB received a decision of the Guangzhou Intermediate People's Court (the "Court"), PRC rejecting the Bankruptcy Application. The decision stated that, while the Liquidation Team submitted the liquidation audit report, balance sheet, liquidation report, list of creditors' rights and debts and employee settlement plan, the Liquidation Team has not yet confirmed and checked on the creditors' rights and has not yet investigated and dealt with the housing allowance which is claimed by the former employees of GSMB. Because of this, the Court ruled that there was no sufficient evidence for GSMB to apply for bankruptcy. Based on advice of its PRC legal adviser, the Liquidation Team is of the view that it has complied with all requirements under the Enterprise Bankruptcy Law of the PRC for the Bankruptcy Application and that the reasons cited by the Guangzhou Intermediate People's Court are not supported by said law. GSMB is seeking further advice from its PRC legal adviser on the rejection of the Bankruptcy Application and further steps that can be taken. GSMB has ceased operations and entered into the liquidation process since 30 November 2020. The rejection of the Bankruptcy Application will not have a substantial impact on the consolidated financial statements of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the total number of any class of issued shares carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited accounts of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

Pursuant to an agreement dated 12 June 1963, Neptunia provides technical and advisory services to the Company and may be paid a General Managers' commission. Mr. Ramon S. Ang, Mr. Carlos Antonio M. Berba, Mr. Alonzo Q. Ancheta, Ms. Aurora T. Calderon, Mr. Yoshinori Inazumi, Mr. Katsuhisa Nose, Mr. Fumiaki Ozawa, and Mr. Reynato S. Puno are interested parties to this contract to the extent that they either have equity interests in or are directors and/or officers of SMBIL, SMB, SMFB, SMC, and/or Top Frontier, the ultimate holding company of Neptunia. General Managers' commission has not been paid by the Company or charged by Neptunia since the 1995 financial year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group excluding service contracts expiring or terminable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests which competed or was likely to compete, either directly or indirectly, with the Company's business.

6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets, which since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Save as disclosed in the section headed “Directors’ Service Contracts” above and the interest of Mr. Ramon S. Ang on the Continuing Connected Transactions and the 2025 Master Agreement in view of his substantial interest in Top Frontier and SMC, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Company.

7. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Altus Capital	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Master Agreement, the Continuing Connected Transactions and the Annual Caps

Altus Capital has provided its letter for incorporation into this circular. Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Altus Capital did not have any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares or shares in any member of the Group.

As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interest in any asset which, since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up, has been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://info.sanmiguel.com.hk>) for the period of 14 days from the date of this circular:

- (i) the 2025 Master Agreement;
- (ii) the letter from Altus Capital, the text of which is set out in this circular; and
- (iii) the consent letter from Altus Capital referred to in the section headed “Qualifications and Consent of Expert” in this appendix.

9. MISCELLANEOUS

- (i) All references to dates and time in this circular refer to Hong Kong dates and time.
- (ii) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EGM



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of San Miguel Brewery Hong Kong Limited (the “Company”) will be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 23 April, 2025 at 3:45 p.m. (or as soon as the annual general meeting of the Company convened at the same date and place shall conclude or adjourn), for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT:** the agreement dated 24 February 2025 (the “**2025 Master Agreement**”) entered into between San Miguel Corporation and the Company, a copy of which marked as “A” has been produced at the meeting and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the proposed annual caps (the “**Annual Caps**”) in relation to the transactions contemplated under the 2025 Master Agreement for each of the three financial years ending 31 December 2026, 2027 and 2028 as set out in the circular dated 28 March 2025 be and are hereby approved, and the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may, in their discretion, consider necessary or desirable or expedient to implement and/or to give effect to the 2025 Master Agreement and the Annual Caps and the transactions thereby contemplated.”

By order of the Board
San Miguel Brewery Hong Kong Ltd.
Lo Chi Yip
Company Secretary

Hong Kong, 28 March 2025

As at the date of this notice, the Board of the Company comprises the executive director, Mr. Chan Weng Kheong, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Carlos Antonio M. Berba (Deputy Chairman), Ms. Aurora T. Calderon, Ms. May (Michelle) W. M. Chan, Mr. Yoshinori Inazumi, Mr. Katsuhisa Nose and Mr. Fumiaki Ozawa; and the independent non-executive directors, Mr. Alonzo Q. Ancheta, Mr. Thelmo Luis O. Cunanan, Dr. the Hon. Sir David K. P. Li and Mr. Reynato S. Puno.

NOTICE OF EGM

Notes:

1. Shareholders are entitled to appoint one or more proxies to attend and vote in their stead at the EGM. A proxy need not be a shareholder of the Company; or
2. To be valid, forms of proxy must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the EGM.
3. For the purpose of determining the shareholders who are entitled to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Wednesday, 16 April 2025, to Wednesday, 23 April 2025, both days inclusive. To qualify for attending and voting at the EGM of the Company to be held on 23 April 2025, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 April 2025.
4. If Typhoon Signal No.8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time between 11:00 a.m. and 5:00 p.m. on the date of the EGM, then the EGM will be postponed and the shareholders will be informed of the date, time and venue of the postponed meeting by a supplementary notice, posted on the Company's website at info.sanmiguel.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

If Typhoon Signal No.8 or above or a Black Rainstorm Warning Signal is cancelled at or before 11:00 a.m. on the date of the EGM, and where conditions permit, the EGM will be held as scheduled.

The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force.

Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.

5. For any queries on the foregoing, please contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).