

Room 03,
7/F Worldwide House,
Des Voeux Road Central,
Hong Kong

27 January 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2025 MASTER SUPPLY AGREEMENT

A. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on whether the terms of the continuing connected transactions contemplated under the 2025 Master Supply Agreement and the relevant Annual Caps are fair and reasonable, and on a normal commercial terms and in the interests of the Company and its shareholders as a whole. Details of which are set out in the section headed “Letter from the Board” contained in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 6 January 2025, the Company announced that the Company and China Aluminum Cans entered into the 2025 Master Supply Agreement in relation to the purchase of the Products by the Group from the China Aluminum Cans Group for a term of three years from 1 January 2025 to 31 December 2027 (both days inclusive).

As at the Latest Practicable Date, Mr. Lin, the controlling Shareholder of Precious Dragon, was beneficially interested in 175,288,500 Shares of the Company, representing approximately 74.94% of the issued share capital of the Company, and was therefore a connected person of the Company. On the other hand, Mr. Lin was beneficially interested in 660,546,000 shares of China Aluminum Cans, representing approximately 69.05% of the issued share capital of China Aluminum Cans as at the date of this announcement. As China Aluminum Cans is an associate of Mr. Lin, it is therefore a connected

person of Precious Dragon. Precious Dragon is also an associate of Mr. Lin and therefore a connected person of China Aluminum Cans. Accordingly, the entering into of the 2025 Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Save as Ms. Ko Sau Mee, Ms. Lin Hing Lei and Mr. Lin Hing Lung who are the spouse, daughter and son of Mr. Lin, respectively, no Director is required to abstain from voting on the board resolution in relation to the approval of the 2025 Master Supply Agreement and the transactions contemplated thereunder, including the Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai, Thomas, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the transactions contemplated under the 2025 Master Supply Agreement and the relevant Annual Caps.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we are independent from, and not associated with the Company or any other party to the 2025 Master Supply Agreement, or their respective substantial shareholder(s) or other connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the terms of the 2025 Master Supply Agreement and the relevant Annual Caps. There was no engagement between the Company and Alliance Capital in the past two years. Apart from this normal professional fee for our services to the Company in connection with the engagement as the Independent Financial Adviser, no other arrangements exist whereby we will receive any fees and/or benefits from the Company or any other party to the 2025 Master Supply Agreement or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

B. BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the annual reports of the Company for the five years ended 31 December 2023;
- (ii) the annual report of the China Aluminum Cans for the year ended 31 December 2023;
- (iii) the interim report of the Company for the six months ended 30 June 2024;
- (iv) the interim report of the China Aluminum Cans for the six months ended 30 June 2024;
- (v) the circular dated 7 January 2021 issued by the Company;
- (vi) the 2025 Master Supply Agreement; and
- (vii) other information as set out in the Circular.

We have relied on (i) the statements, information and opinions contained or referred to in the Circular and/or the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”); (ii) the information and facts supplied by the Company and its advisers; and (iii) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, complete, and accurate in all material respects at the time when they were made and continue to be so as at the date of the dispatch of the Circular. We have also assumed that all statements of belief, opinion, expectation, and intention made by the Management in the Circular are reasonably made after due enquiries and careful considerations.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We have no reasons to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us.

We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or its respective subsidiaries or associates.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the continuing connected transactions under the 2025 Master Supply Agreement, we have considered the following principal factors and reasons:

1. Background information of the Group and the China Aluminum Cans Group

1.1 Information of the Group

The Group is principally engaged in the design, development, manufacturing and sale of a wide range of automotive beauty and maintenance products, personal care products and other products including household products.

1.2 Information of the China Aluminum Cans Group

China Aluminum Cans Group is principally engaged in the manufacturing and sale of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products, as well as pharmaceutical products.

As per our discussion with the Company, the monobloc aluminum aerosol cans are the major raw materials for its manufacturing business, while China Aluminum Cans Group is principally engaged in the manufacturing and sale of monobloc aluminum aerosol cans. Therefore, we are of the view that the Company entering into the 2025 Master Supply Agreement in relation to the purchase of the Products is in its ordinary course of business.

2. Reasons for and benefits of the continuing connected transactions

As mentioned in the Letter from the Board, the Management is of the view that the Group would benefit from the 2025 Master Supply Agreement as they can secure a stable supply of the Products and better cope with the fluctuation of aluminum price.

As discussed with the Management, we noted that the Group has maintained a long-established and harmonious business relationship with China Aluminum Cans Group for over 15 years, during which they have consistently met and never failed to meet the Group's order demands. Additionally, data from the National Bureau of Statistics of China indicates that the average monthly aluminum price has been quite volatile over the past year, ranging from RMB18,316 to RMB20,699 per tonne from January 2023 to November 2024. The average price increased from RMB18,703 per tonne in 2023 to RMB19,887 per tonne for the eleven months ended 30 November, 2024, reflecting an increase of approximately 6.3%. This price fluctuation is primarily driven by a supply-demand imbalance caused by various global issues, for instance, the geopolitical tensions from the Russia-Ukraine war and the Sino-U.S. trade war, as well as PRC's rapidly advancing decarbonisation efforts, which are slowing down local aluminum supply. To mitigate the risks associated with these fluctuations and ensure a stable supply, the Management believes it is crucial to collaborate with a reliable supplier. Thus, the Company has decided to enter into the 2025 Master Supply Agreement with China Aluminum Cans.

In light of the above, the Directors are of the view and we concur that it is beneficial to continue its long-term relationship with China Aluminum Cans Group with an aim to secure a stable supply of Products and entering into the 2025 Master Supply Agreement is in the interests of the Company and its Shareholders as a whole.

3. Principal terms of the 2025 Master Supply Agreement

Details of the terms of the 2025 Master Supply Agreement are set out in the section headed “2025 Master Supply Agreement” in the “Letter from the Board” in the Circular.

(a) Annual Caps

Set out below are the existing annual caps and respective utilisation amounts under the 2021 Master Supply Agreement:

	For the year ended 31 December		
	2022	2023	2024
	HK\$' 000	HK\$' 000	HK\$' 000
Existing annual caps	39,000	41,000	43,000
Utilisation amounts	23,556	22,047	13,796
Utilisation ratio of annual caps	60.4%	53.8%	32.1%

Set out below are the Annual Caps under the 2025 Master Supply Agreement:

	Annual Caps (HK\$'000)
For the year ending 31 December 2025	28,000
For the year ending 31 December 2026	29,000
For the year ending 31 December 2027	31,000

The Management is of the view that the proposed Annual Caps should be determined at HK\$28.0 million, for the year ending 31 December 2025, and further increase to HK\$29.0 million and HK\$31.0 million for the two years ending 31 December 2027, respectively. Despite the proposed Annual Caps are greater than the historical purchase amounts of the Products from the China Aluminum Cans Group during each of the three years ended 31 December 2024, the Management is of the view that it is important to maintain higher annual caps in order to have more flexibility to capture different business opportunities which may arise in the future. This consideration takes into account several factors, mainly including (i) the rising market demand for the Group's personal care and automotive products, and (ii) the expected recovery in sales demand from a previous customer in the United States followed by the full operation of the production plant in Thailand in the first quarter of 2025.

We have discussed with the Management and obtained the quantitative analysis of the Annual Caps as below:

Basis and formula	For the year ending 31 December		
	2025	2026	2027
	HK\$'000	HK\$'000	HK\$'000
Projection based on the historical purchase amount from China Aluminium Cans Group and market demand for the Group's personal care products ("Projection") (A)	21,075 (Note 1)	22,128 (Note 2)	23,234 (Note 2)
Additional demand arising from the fully operational production plant in Thailand ("Additional Demand") (B) (Note 3)	5,000	5,000	5,000
Buffer ("Buffer") (C) (Note 4)	10%	10%	10%
Estimated transaction amount (A + B) x (1 + C)	28,683	29,841	31,057
The Annual Caps	28,000	29,000	31,000

Notes:

- (1) The amount is calculated by taking the average of (i) the actual purchase amount for the year ended 31 December 2022 of approximately HK\$23.6 million, (ii) the actual purchase amount for the year ended 31 December 2023 of approximately HK\$22.0 million, and (iii) the annualised purchase amount for the year ending 31 December 2024 of approximately HK\$14.6 million, based on the actual purchase amount for the ten months ended 31 October 2024 of approximately HK\$12.2 million, and then multiplied by one plus the Management's expected growth in personal care products market of 5%. (i.e. (HK\$23.6 million + HK\$22.0 million + HK\$14.6 million) / 3 x (1 + 5%)).
- (2) The amount represents the Management's expected growth in personal care products market of 5% as compared to the prior year.
- (3) This amount primarily reflects the Management's expectations regarding the growth of the Group's purchase of Products in satisfying the growth in recovery of sales demand from a previous customer in the United States followed by the full operation of the production plant in Thailand in the first quarter of 2025.
- (4) A buffer of 10% takes into account of (i) the flexibility in conducting and expanding its business if the Annual Caps are tailored to future business growth; (ii) the fluctuation of aluminum price; and (iii) rising demand in automotive beauty and maintenance industry.

In order to assess whether the basis of determining the proposed Annual Caps are fair and reasonable, we have reviewed the historical usage of the annual caps under the 2021 Master Supply Agreement that were approximately 60.4%, 53.8% and 32.1% during each of the three years ended 31 December 2024, respectively. As the usage of the annual caps under the 2021 Master Supply Agreement is in a decreasing trend, while the proposed Annual Caps are greater than the historical purchase amounts of the Products from the China Aluminum Cans Group, we discussed with the Management for the rationale behind as illustrated below.

With regard to the Projection, we have (i) reviewed the historical purchase amount from China Aluminum Cans Group for the year ended 31 December 2022, the year ended 31 December 2023 and ten months ended 31 October 2024; (ii) discussed with the Management that the basis for using average purchase amount would cater for the surging market demand; (iii) reviewed a market research report in relation to the personal care industry issued by Technavio, being one of the leading market research companies with over 500 specialised analysts and has a library consists of more than 17,000 reports worldwide. From which, we are given to understand that with the improvement in people's living standard, the personal care market size is forecast to increase by USD167.2 billion at a compound annual growth rate ("CAGR") of 6.03% between 2023 to 2028; and (iv) reviewed an industry report issued by China Insights Consultancy ("CIC"), being an independent market research and consulting company based in the PRC. According to the website of CIC (<https://www.cninsights.com/>), it covers 200 sub-sectors and has provided comprehensive business research for over 100 companies across various industries. In particular, CIC was the industry expert for JD Logistics, Inc. and Baidu, Inc. during their listings in Hong Kong. The report stated that as consumers have become more beauty and hygiene conscious, and digital-savvy with the prevalence of e-commerce strategies involving collaborations with influential figures, especially after the COVID-19 pandemic, contributing to strong sales performance and a deeper penetration of beauty and personal care products in the market. The market size of PRC's beauty and personal care community-based social e-commerce industry is expected to surge from RMB255.9 billion in 2021 to RMB410.4 billion in 2026, representing a CAGR of 9.9%. This is especially relevant when determining the proposed Annual Caps, given the significant growth in online market sales that the Company experienced during FY2023 and 6M2024. In this connection, the Management is of the view and we concur that the basis and assumption for the Projection are fair and reasonable.

With regard to the Additional Demand, we noted that the tension between China and the United States has been ongoing as the United States began setting tariffs and other trade barriers on China since 2018, and this is likely to escalate with the anticipated additional tariffs imposed on Chinese imported goods in the near future. Coupled with the devastating global economic disruption caused by the COVID-19 in 2020, the Company's annual reports indicated that sales from the United States dropped sharply from HK\$58.3 million for the year ended 31 December 2018 to HK\$43.6 million for the year ended 31 December 2020, and further decreased drastically to HK\$7.7 million for FY2023. Given the Company's production plant in Thailand is expected to be fully operational in the first quarter of 2025, the Company believes it will be able to gradually regain sales from customers in the United States in the coming years after relocating the Company's manufacturing to Thailand. In assessing the reasonableness of the Additional Demand, we have discussed with the Company and obtained the historical data on the Company's purchase of Products for the sales to one of its previous customers in the United States ("**Previous Customer**"). The Previous Customer gradually reduced its purchase of personal care products with aluminum packaging from the Company since 2020 and ceased purchase in 2022 due to the cost burden imposed by the trade tariffs on Chinese imported goods. We noted that the average historical purchase of Products for the sales to the Previous Customer from 2020 to 2022 amounted to approximately HK\$5.0 million. With the shift of manufacturing process to Thailand in the first quarter of 2025, the Previous Customer has recently indicated that they may re-purchase products with aluminum packaging from the Group going forward. In view of the above, the Management expects that the Additional Demand — reflecting the anticipated growth of the Group's purchase of Products to meet the recovering sales demand

from the Previous Customer will be at HK\$5.0 million for each year during 31 December 2025, 2026 and 2027, respectively. Therefore, the Management is of the view and we concur that the basis and assumption for the Additional Demand are fair and reasonable.

With regard to the Buffer, the Management is of the view and we concur that the Group would have the flexibility to adapt to various conditions, including but not limited to the unexpected business growth, fluctuations in aluminum prices, and rising demand from the automotive aftermarket industry. In particular, (i) aluminum, being one of the major production components for the Group's production, its prices were volatile over the years, increased from RMB18,703 per tonne for the year 2023 to RMB19,887 per tonne for the eleven months ended 30 November 2024, representing an increment of approximately 6.3%, as discussed in section 2 of this letter. These prices are expected to continue fluctuating due to rising geopolitical issues worldwide, for instance, the Russia-Ukraine war and the Sino-U.S. trade war, which may incur additional production costs and lead to an increase in transaction amounts, (ii) the rising demand from the automotive aftermarket industry. With reference to a market research report in relation to the automotive aftermarket industry issued by CIC, we noted that with the positive outlook on Chinese economy and increasing car parc of passenger vehicles, PRC's automotive aftermarket industry is expected to surge from approximately RMB5.2 trillion in 2023 to RMB9.1 trillion in 2028, representing a CAGR of 11.8%. It is worth mentioning that, out of which, the auto repair and maintenance segment is expected to grow steadily from approximately RMB0.9 trillion in 2023 to RMB1.4 trillion in 2028, representing a CAGR of 9.0%; and (iii) other potential business opportunities may arise in the future. In this connection, the Management is of the view and we concur that the basis and assumption for the Buffer are fair and reasonable.

Having considered that it will be burdensome to revise the annual caps subsequently, and in light of the above, we concur with the view of the Management that the proposed Annual Caps have taken into account, among other things, (i) both the historical sales amount and the additional demand arising from the expected growth in personal care and automotive aftermarket industries in PRC for the next three years, (ii) the recovery of sales demand from the Previous Customer in the United States followed by the full operation of the production plant in Thailand in the first quarter of 2025, and (iii) for the sake of flexibility to adapt to various conditions and capture the aforementioned business opportunities are fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

(b) Pricing policy

In assessing the fairness and reasonableness of the pricing policy under the 2025 Master Supply Agreement, we have reviewed (i) the latest full transaction list with China Aluminum Cans Group (the "**Full List**") and (ii) reviewed 11 selected samples, each representing the largest order of the month for period from January 2024 to November 2024, entered into between the Group and China Aluminum Cans Group. This includes purchase orders of the products made by the Group to China Aluminum Cans Group, and their corresponding comparable quotations (the "**Selected Samples**").

Per review of the Full List and Selected Samples, we noted that the Group has implemented the pricing policy and the transactions between the China Aluminum Cans Group and the Group are in line with prevailing market price as we noted that each of the Selected Samples is supported by corresponding comparable quotations (i) solicited from two of the Group's independent suppliers, and (ii) provided by China Aluminum Cans Group to two of its independent customers. We concluded that the prices offered by China Aluminum Cans Group to the Group were (1) in line with those offered by the Group's independent suppliers, and (2) no less favourable than those offered to other independent customers of China Aluminum Cans Group. Therefore, we concur with the Management's view that the pricing policy of the 2025 Master Supply Agreement was fair and reasonable.

(c) Periodic review and internal control

To ensure the Group's conformity with the above pricing policy in relation to the transactions contemplated under the 2025 Master Supply Agreement and the proposed Annual Caps will not be exceeded, we have reviewed the internal control policies of the Group in relation to connected transaction and note the following:

- (i) the purchasing department will (1) solicit at least two quotations from the Group's independent suppliers in relation to its purchase of the same type of the Products provided by the China Aluminum Cans Group, and (2) request the China Aluminum Cans Group to provide at least two quotations to its independent customers in relation to the same type of the Products procured by the Group;
- (ii) the finance department of the Group will prepare a monthly report containing the transaction details, including but not limited to the types and specifications of the products, quantity, purchase price of connected transactions entered into during the month (the "**Monthly CT report**") for the purpose of monitoring whether (1) the transactions with the China Aluminum Cans Group is in line with the pricing policy stated in the 2025 Master Supply Agreement; (2) the major terms of the transactions have any changes; and (3) the actual amount of the connected transaction has exceeded the amount of the proposed Annual Cap. If the actual transaction amount reaches approximately 90% of the proposed Annual Caps or the major terms of the transactions have any changes at any time during the year, the finance department will report to the connected transaction officer of the Company, who will seek advice from the audit committee of the Company, and the Board will consider taking appropriate measures, including but not limited to revisiting and determining if the changes on the major terms are on normal commercial terms, further revisiting the Annual Caps amounts and complying with the relevant announcement and shareholders' approval requirements in accordance with the Listing Rules;
- (iii) the independent non-executive Directors will review the continuing connected transactions contemplated under the 2025 Master Supply Agreement to ensure that such agreement is entered into on normal commercial terms, is fair and reasonable, and are carried out pursuant to the terms of such agreement on an annual basis; and

- (iv) the auditor of the Company will conduct an annual review on the transactions contemplated under such agreement to ensure that they have been carried out in accordance with the pricing policies of such agreement and have not exceeded the Annual Caps.

By implementing the above procedures, the Directors consider that, and we concur that the Company has established appropriate internal control measures to ensure that the transactions contemplated under the 2025 Master Supply Agreement will be on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

In addition, we have selected (i) four Monthly CT reports for the connected transactions during January 2024 to October 2024, and (ii) the meeting minutes of the independent non-executive Directors dated 18 March 2024 for the connected transactions with the China Aluminum Cans Group during the year ended 31 December 2023 of which the independent non-executive Directors were of the opinion that the continuing connected transactions are (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms or better; and (3) in accordance to the agreement governing them, on fair and reasonable terms and in the interests of the shareholders of the Company, which are in line with the protocol stated in the compliance manual and the pricing policy stated in the 2021 Master Supply Agreement, which is the same as the 2025 Master Supply Agreement. Therefore, we are of the view that the Company has sufficient and effective internal control policy to ensure the proposed Annual Caps will not be exceeded and the price of the Product are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

D. RECOMMENDATION

In conclusion, we are of the view that the entering into the 2025 Master Supply Agreement is in ordinary course of business, on normal commercial terms, which are fair and reasonable so far as the Company's Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Company's Independent Board Committee to advise the Company's Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the relevant continuing connected transactions and the Annual Caps under the 2025 Master Supply Agreement.

Yours faithfully,
For and on behalf of
Alliance Capital Partners Limited


Ray Chan
Executive Director

Mr. Ray Chan is a licensed Type 1 & 6 person registered with the Securities and Futures Commission and as a responsible officer of Alliance Capital Partners Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry, including initial public offerings and transactions involving companies listed in Hong Kong and the provision of independent financial advisory services.