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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a 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 Natural Beauty Bio-Technology Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or transferee, or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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自然美  
natural beauty

Natural Beauty Bio-Technology Limited  
自然美生物科技有限公司  
(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 00157)

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS RELATING TO NEW CCT AGREEMENTS AND NOTICE OF EGM**

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



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 26 of this circular and a letter from the Independent Board Committee is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 29 to 65 of this circular.

A notice convening the EGM to be held at Room 2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 3 June 2019 at 11:00 a.m. is set out on pages 70 to 73 of this circular. A proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournments thereof should you so wish.

17 May 2019

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	7
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	27
<b>LETTER FROM PELICAN</b> .....	29
<b>APPENDIX - GENERAL INFORMATION</b> .....	66
<b>NOTICE OF EGM</b> .....	70

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## DEFINITIONS

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*In this circular, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this circular, those defined terms are not included in the table below:*

“Announcement”	the announcement of the Company dated 22 March 2019 in relation to, among other things, the CCT Agreements
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Agreements”	the ET New Media Cooperation Agreement, Eastern Health Procurement Agreement, Eastern Home Consignment Agreement, Strawberry Service Agreement and Eastern Tenmax Procurement Agreement
“Company”	Natural Beauty Bio-Technology Limited (自然美生物科技有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eastern Health”	Eastern Health Biomedical Co., Ltd. (東森健康生醫有限公司), a company incorporated in Taiwan with limited liability
“Eastern Health Procurement Agreement”	the goods procurement agreement dated 22 March 2019 entered into between Taiwan NB and Eastern Health, with a term from 22 March 2019 to 31 May 2019
“Eastern Home”	Eastern Home Shopping & Leisure Co., Ltd. (東森得易購股份有限公司), a company incorporated in Taiwan with limited liability
“Eastern Home Consignment Agreement”	the product consignment agreement dated 22 March 2019 entered into between Taiwan NB and Eastern Home, with a term from 22 March 2019 to 31 May 2019

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## DEFINITIONS

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“Eastern Home Trademark Licence Agreement”	the licence agreement dated 16 April 2019 entered into between NB China as licensor and Eastern Home as licensee, with a term from 1 June 2019 to 31 May 2022
“Eastern Tenmax”	Eastern Tenmax Direct Co., Ltd. (東森天美仕直銷股份有限公司), a company incorporated in Taiwan with limited liability
“Eastern Tenmax Procurement Agreement”	the product procurement agreement dated 22 March 2019 entered into between Taiwan NB and Eastern Tenmax, with a term from 22 March 2019 to 31 May 2019
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the New CCT Agreements and the transactions contemplated thereunder (including the annual caps)
“EMI”	Eastern Media International Corporation (東森國際股份有限公司), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange
“EMI Group”	EMI and its associates, but excluding the Group for the purpose of this circular
“ET New Media”	ET New Media Holding Limited Company (東森新媒體控股股份有限公司), a company incorporated in Taiwan with limited liability
“ET New Media Cooperation Agreement”	the project cooperation agreement dated 22 March 2019 entered into between Taiwan NB and ET New Media, with a term from 22 March 2019 to 31 May 2019
“Far Rich”	Far Rich International Corporation (遠富國際股份有限公司), a company incorporated in Taiwan with limited liability
“FESS”	Far Eastern Silo & Shipping (Panama) S.A. (遠東倉儲航運(巴拿馬)股份有限公司), a company incorporated in Panama with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the independent Shareholders on the terms of the New CCT Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the independent financial adviser to the Independent Board Committee and the independent Shareholders advising on the terms of the New CCT Agreements and the transactions contemplated thereunder
“Independent Third Party”	a third party independent of the Company and its connected persons
“Insbro”	Insbro Holdings Limited (保經控股有限公司), a company incorporated in Hong Kong with limited liability
“Latest Practicable Date”	15 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NB China”	Natural Beauty China Holding Company Limited (自然美中國控股有限公司), a company incorporated in Hong Kong with limited liability
“NB Website”	a website with domain name <a href="http://strawberrynet.nblife.com">http://strawberrynet.nblife.com</a> owned and operated by NB China
“New CCT Agreements”	the New Eastern Health Procurement Agreement, the New Eastern Home Consignment Agreement, the New Eastern Tenmax Procurement Agreement, the New ET New Media Cooperation Agreement, the New Strawberry Service Agreement and the Eastern Home Trademark Licence Agreement

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## DEFINITIONS

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“New CCT Announcement”	the announcement of the Company dated 16 April 2019 in relation to, among other things, the New CCT Agreements
“New Eastern Health Procurement Agreement”	the goods procurement agreement dated 16 April 2019 entered into between Taiwan NB and Eastern Health with a term from 1 June 2019 to 31 May 2022
“New Eastern Home Consignment Agreement”	the product consignment agreement dated 16 April 2019 entered into between Taiwan NB and Eastern Home with a term from 1 June 2019 to 31 May 2022
“New Eastern Tenmax Procurement Agreement”	the product procurement agreement dated 16 April 2019 entered into between Taiwan NB and Eastern Tenmax with a term from 1 June 2019 to 31 May 2022
“New ET New Media Cooperation Agreement”	the project cooperation agreement dated 16 April 2019 entered into between Taiwan NB and ET New Media with a term from 1 June 2019 to 31 May 2022
“New Strawberry Service Agreement”	the service agreement dated 16 April 2019 entered into between Strawberry and NB China in relation to the provision of Strawberry Services with a term from 1 June 2019 to 31 May 2022
“NT\$”	New Taiwan Dollar(s), the lawful currency of Taiwan
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Agreements”	the Previous Eastern Health Procurement Agreement, the Previous Eastern Home Consignment Agreement and the Previous Eastern Tenmax Procurement Agreement
“Previous Eastern Health Procurement Agreement”	the goods procurement agreement dated 1 January 2019 entered into between Taiwan NB and Eastern Health which expired on 21 March 2019
“Previous Eastern Home Consignment Agreement”	the product consignment agreement dated 10 December 2018 entered into between Taiwan NB and Eastern Home which expired on 21 March 2019

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## DEFINITIONS

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“Previous Eastern Tenmax Procurement Agreement”	the product procurement agreement dated 1 November 2018 entered into between Taiwan NB and Eastern Tenmax which expired on 21 March 2019
“Service Fees”	service fees for the provision of Strawberry Services by NB China to Strawberry pursuant to the New Strawberry Service Agreement or the Strawberry Service Agreement (as applicable)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strawberry”	Strawberry Cosmetics (Greater China) Limited, a company incorporated in Hong Kong with limited liability
“Strawberry Goods”	a variety of goods sold by Strawberry through the Strawberry Website, including without limitation skincare, make-up and haircare products, perfume, men’s cologne and health foods
“Strawberry Service Agreement”	the service agreement dated 22 March 2019 entered into between Strawberry and NB China in relation to the provision of Strawberry Services, with a term from 22 March 2019 to 31 May 2019
“Strawberry Services”	services relating to the marketing and sales of Strawberry Goods through the NB Website, including (a) goods display and merchandising, goods search, purchase order creation, transaction management, payment and customer services enhancement; and (b) increasing goods exposure, integrated brand marketing, training for operations and sales, to be provided by NB China to Strawberry
“Strawberry Website”	a website with domain name <a href="http://www.strawberrynet.com">http://www.strawberrynet.com</a> owned and operated by Strawberry

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taiwan”	Republic of China (Taiwan)
“Taiwan NB”	Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司), a company incorporated in Taiwan with limited liability
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Trademarks”	certain trademarks owned by the Company as more particularly described under the Eastern Home Trademark Licence Agreement
“%”	per cent

*Unless otherwise indicated, the exchange rate of HK\$1.00 to NT\$3.9243 used in this circular is for illustration purposes only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates at all.*



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## LETTER FROM THE BOARD

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自然美  
natural beauty

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00157)

*Executive Directors:*

Dr. LEI Chien (*alias Joanna LEI*) (*Chairperson*)

Mr. PAN Yi-Fan (*alias Ivan PAN*)

*Non-executive Directors:*

Mr. HSIAO Wen-Chung

Ms. LU Yu-Min (*alias Vicky LU*)

Ms. LIN Shu-Hua

Mr. CHEN Shou-Huang

*Independent Non-executive Directors:*

Mr. CHEN Ruey-Long (*alias Steve CHEN*)

Mr. LU Chi-Chant

Mr. YANG Shih-Chien

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Principal Place of Business in*

*Hong Kong:*

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

17 May 2019

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS  
RELATING TO NEW CCT AGREEMENTS  
AND  
NOTICE OF EGM**

**A. INTRODUCTION**

Reference is made to the Announcement and the New CCT Announcement.

As disclosed in the New CCT Announcement, the Directors consider that the cooperation between the Group and ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax under the CCT Agreements has been satisfactory, and in view of the strategic cooperation relationship with the EMI Group, the Directors intend to continue and strengthen the existing cooperation between the Group and the aforementioned parties by entering into the New CCT Agreements.

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## LETTER FROM THE BOARD

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The purposes of this circular are to, among other things:

- (i) provide the Shareholders with details of the New CCT Agreements and the transactions contemplated thereunder together with the annual caps;
- (ii) set out the opinion of the Independent Financial Adviser in respect of the terms of the New CCT Agreements and the annual caps;
- (iii) set out the recommendation of the Independent Board Committee in respect of the terms of New CCT Agreements and the transactions contemplated thereunder together with the annual caps; and
- (iv) provide the Shareholders with the notice of the EGM.

### **B. NEW ET NEW MEDIA COOPERATION AGREEMENT**

On 16 April 2019 (after trading hour), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the New ET New Media Cooperation Agreement with ET New Media.

As at the Latest Practicable Date, FESS was a controlling shareholder of the Company, and EMI was the 100% shareholder of FESS. As ET New Media was a direct non-wholly owned subsidiary of EMI owned directly as to approximately 93.90% of its shareholding by EMI, ET New Media was a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the New ET New Media Cooperation Agreement constituted continuing connected transactions of the Company.

Major terms of the New ET New Media Cooperation Agreement are summarised below:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) Taiwan NB; and (ii) ET New Media
<b>Subject matter</b>	Taiwan NB agrees to engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhance the image of the “Natural Beauty” brand and to raise public awareness on the brand.
<b>Nature of transactions</b>	Taiwan NB may from time to time instruct ET New Media to carry out advertising projects. The parties shall separately agree on the timing, manner and fees of each specific advertising project at the appropriate time.

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## LETTER FROM THE BOARD

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<b>Pricing</b>	For each advertising project, ET New Media shall offer at least 50% discount to the list price of such project (being prices ET New Media offers to its clients which are independent third parties).
<b>Condition</b>	The New ET New Media Cooperation Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.
<b>Term</b>	From 1 June 2019 to 31 May 2022.

### **Basis of determination of pricing term**

The parties to the New ET New Media Cooperation Agreement determined the pricing term thereunder (as disclosed above) based on their intention to minimise the advertising costs for Taiwan NB while remain sufficient to cover the costs to be incurred by ET New Media. Such pricing term, being no less favourable than that offered by Independent Third Parties for the same type of services, is considered by the Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in this circular) to be fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

### **Historical transaction amount**

Taiwan NB has signed the ET New Media Cooperation Agreement with ET New Media on 22 March 2019, which will expire on 31 May 2019, with terms similar to the New ET New Media Cooperation Agreement. As at the Latest Practicable Date, the aggregate fees payable by Taiwan NB under the ET New Media Cooperation Agreement amounted to approximately NT\$777,800 (equivalent to approximately HK\$198,201).

### **Annual cap**

Pursuant to the terms of the New ET New Media Cooperation Agreement, the annual cap in respect of the fees payable by Taiwan NB to ET New Media thereunder shall be NT\$15,000,000 (equivalent to approximately HK\$3,822,338) from 1 June 2019 to 31 December 2019; NT\$30,000,000 (equivalent to approximately HK\$7,644,675) from 1 January 2020 to 31 December 2020; NT\$30,000,000 (equivalent to approximately HK\$7,644,675) from 1 January 2021 to 31 December 2021; and NT\$10,000,000 (equivalent to approximately HK\$2,548,225) from 1 January 2022 to 31 May 2022. The annual cap has been arrived at based on the following factors:

- (i) the marketing plan and campaigns of Taiwan NB for the same periods;

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## LETTER FROM THE BOARD

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- (ii) the historical transaction amount relating to fees payable by Taiwan NB under the ET New Media Cooperation Agreement; and
- (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media during the term of the New ET New Media Cooperation Agreement.

### Information on the parties

ET New Media is a company incorporated in Taiwan with limited liability. It is principally engaged in operation of internet news outlet, sale of advertising, and audio-video production. It is the first news, media and communication networks in Taiwan.

Taiwan NB is a company incorporated in Taiwan with limited liability. It is principally engaged in: (i) production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

### C. NEW EASTERN HEALTH PROCUREMENT AGREEMENT

On 16 April 2019 (after trading hours), Taiwan NB entered into the New Eastern Health Procurement Agreement with Eastern Health.

As at the Latest Practicable Date, Far Rich could, directly or indirectly, control the composition of a majority of the board of directors of EMI. As such, Far Rich was considered the holding company of EMI for the purposes of the Listing Rules. As Eastern Health was an indirect non-wholly owned subsidiary of Far Rich owned indirectly as to 90% of its shareholding by Far Rich, Eastern Health was a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the New Eastern Health Procurement Agreement constituted continuing connected transactions of the Company.

The major terms of the New Eastern Health Procurement Agreement are as follows:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) Taiwan NB; and (ii) Eastern Health
<b>Nature of transactions</b>	During the term of the New Eastern Health Procurement Agreement, Taiwan NB may from time to time make wholesale purchase of products from Eastern Health such as health supplements for on-sale to end customers.
<b>Pricing</b>	Depending on the nature of the products, at 60%-70% discount to the relevant market retailing price.

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## LETTER FROM THE BOARD

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<b>Condition</b>	The New Eastern Health Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.
<b>Term</b>	From 1 June 2019 to 31 May 2022.

### **Basis of determination of pricing term**

The parties to the New Eastern Health Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the market prices for similar products offered by Independent Third Parties. Since the pricing under the New Eastern Health Procurement Agreement is in line with the said market prices, the Directors consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in this circular) consider the pricing term under the New Eastern Health Procurement Agreement to be fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

### **Historical transaction amount**

Taiwan NB has signed the Previous Eastern Health Procurement Agreement with Eastern Health on 1 January 2019, which expired on 21 March 2019, with terms similar to the Eastern Health Procurement Agreement. No purchase of goods has been recorded under the Previous Eastern Health Procurement Agreement.

Taiwan NB has signed the Eastern Health Procurement Agreement with Eastern Health on 22 March 2019, which will expire on 31 May 2019, with terms similar to the New Eastern Health Procurement Agreement. As at the Latest Practicable Date, the aggregate amount of goods purchase recorded under the Eastern Health Procurement Agreement amounted to NT\$5,116,967 (equivalent to approximately HK\$1,303,918).

### **Annual cap**

Pursuant to the terms of the New Eastern Health Procurement Agreement, the annual cap in respect of the aggregate amount of goods to be purchased under the New Eastern Health Procurement Agreement shall be NT\$30,000,000 (equivalent to approximately HK\$7,644,675) from 1 June 2019 to 31 December 2019; NT\$80,000,000 (equivalent to approximately HK\$20,385,801) from 1 January 2020 to 31 December 2020; NT\$150,000,000 (equivalent to approximately HK\$38,223,377) from 1 January 2021 to 31 December 2021; and NT\$80,000,000 (equivalent to approximately HK\$20,385,801) from 1 January 2022 to 31 May 2022. The annual cap has been arrived at based on the projected purchase amount of goods under the New Eastern Health Procurement Agreement and the historical transaction amount under the Previous Eastern Health Procurement Agreement and the Eastern Health Procurement Agreement.

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## LETTER FROM THE BOARD

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### Information on the parties

Eastern Health is a company incorporated in Taiwan with limited liability. It is principally engaged in research and development and sale of health supplements.

Taiwan NB is a company incorporated in Taiwan with limited liability. It is principally engaged in: (i) production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

### D. NEW EASTERN HOME CONSIGNMENT AGREEMENT

On 16 April 2019 (after trading hours), Taiwan NB entered into the New Eastern Home Consignment Agreement with Eastern Home.

For the year ended 31 December 2018, Eastern Home was accounted for and consolidated in the audited consolidated accounts of EMI as a subsidiary thereof since EMI could during the relevant time, directly or indirectly, control the composition of a majority of the board of directors of Eastern Home. Since 1 January 2019, EMI can no longer directly or indirectly control the composition of a majority of the board of directors of Eastern Home, and since then Eastern Home has not been and will not be accounted for and consolidated in the audited consolidated accounts of EMI as a subsidiary.

However, as at the Latest Practicable Date, given that (a) EMI was holding, directly or indirectly, altogether approximately 25.87% of the shareholding in Eastern Home, (b) one member of the board of directors of Eastern Home, namely Mr. Liao Shang-Wen, was also the chairperson of EMI, (c) FESS was a controlling shareholder of the Company, and EMI was the 100% shareholder of FESS, (d) the vice president of Eastern Home, namely Mr. Chao Shih Heng, was the sole ultimate beneficial owner of Insbro which was holding 22.76% of the issued Shares, (e) one member of the board of directors of Eastern Home, namely Dr. Lei Chien, was also the chairperson and an executive Director of the Company, (f) the finance vice president of Eastern Home, namely Ms. Lin Shu-Hua, was also a non-executive Director of the Company; and (g) the New Eastern Home Consignment Agreement was entered into on the same date as the other New CCT Agreements, the Directors considered that it was appropriate to voluntarily treat Eastern Home as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Eastern Home Consignment Agreement constituted continuing connected transactions of the Company.

Major terms of the New Eastern Home Consignment Agreement are summarised below:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) Taiwan NB; and (ii) Eastern Home

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## LETTER FROM THE BOARD

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<b>Subject matter</b>	Taiwan NB will engage Eastern Home to sell certain products manufactured, distributed or sold by Taiwan NB which are selected by Eastern Home as target products (the “ <b>Target Products</b> ”). The retail price of the Target Products being sold by Eastern Home shall be proposed by Eastern Home and fixed upon the consent of Taiwan NB.
<b>Nature of transactions</b>	<p>Taiwan NB shall authorise Eastern Home to sell the Target Products to end customers and to use related promotional materials for such purpose.</p> <p>Eastern Home shall be responsible for marketing and selling the Target Products to end customers through its own distribution channels or third party distribution channels.</p>
<b>Payment term</b>	Subject to the special rewards payable by Taiwan NB as set out in the following paragraph, 30-50% of the proceeds received by Eastern Home from the end customers through the sale of the Target Products shall be paid over to Taiwan NB (the net amount to be paid over to Taiwan NB after deducting the special rewards is hereinafter referred to as the “ <b>Net Proceeds</b> ”).
<b>Special rewards</b>	<p>In respect of Target Products being sold through the internet:</p> <ul style="list-style-type: none"><li>(a) Taiwan NB shall pay a sale commission at 2% of the relevant sale proceeds to Eastern Home; and</li><li>(b) given Eastern Home shall from time to time organise marketing events, Taiwan NB shall additionally pay a marketing sponsorship fee at 3% of the relevant monthly sale proceeds to Eastern Home for such Target Products sold (together with (a) above, the “<b>Special Rewards</b>”).</li></ul>
<b>Condition</b>	The New Eastern Home Consignment Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.
<b>Term</b>	From 1 June 2019 to 31 May 2022.

### **Historical transaction amount**

Taiwan NB has signed the Previous Eastern Home Consignment Agreement with Eastern Home on 10 December 2018, which expired on 21 March 2019, with terms similar to the Eastern Home Consignment Agreement. The aggregate Net Proceeds actually payable by Eastern Home under the Previous Eastern Home Consignment Agreement is approximately NT\$5,299,508 (equivalent to approximately HK\$1,350,434).

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## LETTER FROM THE BOARD

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Taiwan NB has signed the Eastern Home Consignment Agreement with Eastern Home on 22 March 2019, which will expire on 31 May 2019, with terms generally similar to the New Eastern Home Consignment Agreement. As at the Latest Practicable Date, the aggregate Net Proceeds payable by Eastern Home under the Eastern Home Consignment Agreement amounted to approximately NT\$5,718,725 (equivalent to approximately HK\$1,457,260).

### **Annual cap**

Pursuant to the terms of the New Eastern Home Consignment Agreement, the annual cap in respect of the aggregate Net Proceeds payable under the New Eastern Home Consignment Agreement shall be NT\$200,000,000 (equivalent to approximately HK\$50,964,503) from 1 June 2019 to 31 December 2019; NT\$500,000,000 (equivalent to approximately HK\$127,411,258) from 1 January 2020 to 31 December 2020; NT\$800,000,000 (equivalent to approximately HK\$203,858,012) from 1 January 2021 to 31 December 2021; and NT\$500,000,000 (equivalent to approximately HK\$127,411,258) from 1 January 2022 to 31 May 2022. The annual cap has been arrived at based on the following factors:

- (i) the historical transaction amount relating to the Net Proceeds under the Previous Eastern Home Consignment Agreement and the Eastern Home Consignment Agreement respectively;
- (ii) the projected sale of Target Products under the New Eastern Home Consignment Agreement; and
- (iii) the projected amount of Net Proceeds based on (a) the projected sale in paragraph (ii) above, (b) the payment term under the New Eastern Home Consignment Agreement (being 30-50% of the sale proceeds as disclosed above), and (c) the projected amount of Special Rewards.

### **Information on the parties**

Eastern Home is a company incorporated in Taiwan with limited liability. It is principally engaged in distribution of goods through TV shopping and e-commerce in Taiwan. It is the first TV shopping company in Taiwan.

Taiwan NB is a company incorporated in Taiwan with limited liability. It is principally engaged in: (i) production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

### **E. NEW STRAWBERRY SERVICE AGREEMENT**

On 16 April 2019 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the New Strawberry Service Agreement with Strawberry.



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## LETTER FROM THE BOARD

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As disclosed in the section headed “D. New Eastern Home Consignment Agreement” above, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company. Since, as at the Latest Practicable Date, (a) Strawberry was an indirect non-wholly owned subsidiary of Eastern Home owned indirectly as to 76% of its shareholding by Eastern Home and (b) the New Strawberry Service Agreement was entered into on the same date as the other New CCT Agreements, the Directors considered that it was also appropriate to voluntarily treat Strawberry as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Strawberry Service Agreement constituted continuing connected transactions of the Company.

Major terms of the New Strawberry Service Agreement are summarised below:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) NB China; and  (ii) Strawberry
<b>Subject matter</b>	NB China will, within the validity period of the New Strawberry Service Agreement, provide the Strawberry Services to Strawberry for the Service Fees.
<b>Nature of transactions</b>	During the provision of the Strawberry Services by NB China:  (a) the parties will actively cooperate with a view to determine (and NB China shall have the discretion to make the final decision on) the specific items and price of the Strawberry Goods to be displayed, and the manner of such display, on the NB Website;  (b) NB China will provide the Strawberry Services with a view to promote and/or facilitate the placing of purchase orders (“ <b>Purchase Orders</b> ”) and payment of purchase price by customers for the Strawberry Goods through the NB Website;  (c) NB China will, promptly upon receipt of Purchase Orders, pass the Purchase Orders to Strawberry. Upon receipt of the Purchase Orders from NB China, Strawberry will promptly pack and deliver the ordered Strawberry Goods in accordance with the Purchase Orders to the customers in a manner mutually agreed by the parties;

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## LETTER FROM THE BOARD

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- (d) NB China will, through payment services available to customers on the NB Website, collect the purchase price for the Strawberry Goods purchased through the NB Website from the customers for and on behalf of Strawberry; and
- (e) NB China will, after deducting the Service Fees and other relevant charges, return the collected purchase price to Strawberry in accordance with the terms and conditions under the New Strawberry Service Agreement.

**Service Fees**

NB China is entitled to the Service Fees. For each Purchase Order accepted by Strawberry, NB China will charge Service Fees at 25% of the gross item price of the Strawberry Goods ordered therein as indicated on the Strawberry Website as at the date of such Purchase Order.

**Condition**

The New Strawberry Service Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.

**Term**

From 1 June 2019 to 31 May 2022.

**Basis of determination of pricing term**

The parties to the New Strawberry Service Agreement determined the Service Fees thereunder (as disclosed above) based on the market range of fees at between 20% to 25% of sale proceeds for similar services chargeable by Independent Third Parties. Since the level of Service Fees is in line with the said market range, the Directors consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in this circular) consider the pricing term under the New Strawberry Service Agreement to be fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

**Historical transaction amount**

NB China has signed the Strawberry Service Agreement with Strawberry on 22 March 2019, which will expire on 31 May 2019, with terms similar to the New Strawberry Service Agreement. As at the Latest Practicable Date, the aggregate Service Fees payable by Strawberry to NB China under the Strawberry Service Agreement amounted to nil.

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## LETTER FROM THE BOARD

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### **Annual cap**

Pursuant to the terms of the New Strawberry Service Agreement, the annual cap of the Services Fees payable by Strawberry to NB China thereunder shall be HK\$5,250,000 from 1 June 2019 to 31 December 2019; HK\$9,000,000 from 1 January 2020 to 31 December 2020; HK\$9,000,000 from 1 January 2021 to 31 December 2021; and HK\$3,750,000 from 1 January 2022 to 31 May 2022. The annual cap has been arrived at based on the following factors:

- (i) the estimated aggregate of the gross item price of Strawberry Goods ordered by end customers through the NB Website during the term of the New Strawberry Service Agreement;
- (ii) the historical transaction amount relating to Service Fees under the Strawberry Service Agreement; and
- (iii) the agreed rate of the Service Fees.

### **Information on the parties**

Strawberry is a company incorporated in Hong Kong with limited liability. It is principally engaged in sale of internationally renowned skin care and beauty products through internet.

NB China is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment and wholesale and retailing of various goods.

### **F. NEW EASTERN TENMAX PROCUREMENT AGREEMENT**

On 16 April 2019 (after trading hour), Taiwan NB entered into the New Eastern Tenmax Procurement Agreement with Eastern Tenmax.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Eastern Tenmax and its ultimate beneficial owners was an Independent Third Party. However, given that (a) one member of the board of directors of Eastern Tenmax, namely Mr. Chao Shih Heng, was the sole ultimate beneficial owner of Insbro which was holding 22.76% of the issued Shares, and (b) the New Eastern Tenmax Procurement Agreement was entered into on the same date as the other New CCT Agreements, the Directors considered that it was appropriate to voluntarily treat Eastern Tenmax as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Eastern Tenmax Procurement Agreement constituted continuing connected transactions of the Company.

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## LETTER FROM THE BOARD

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Major terms of the New Eastern Tenmax Procurement Agreement are summarised below:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) Taiwan NB; and  (ii) Eastern Tenmax
<b>Nature of transactions</b>	During the term of the New Eastern Tenmax Procurement Agreement, Eastern Tenmax may from time to time make wholesale purchase of Taiwan NB products such as health supplements, skin-care products and cosmetic products, and Taiwan NB shall sell such products to Eastern Tenmax at an agreed discount to relevant retail price for on-sale by Eastern Tenmax.
<b>Condition</b>	The New Eastern Tenmax Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.
<b>Term</b>	From 1 June 2019 to 31 May 2022.

### **Historical transaction amount**

Taiwan NB has signed the Previous Eastern Tenmax Procurement Agreement with Eastern Tenmax on 1 November 2018, which expired on 21 March 2019, with terms similar to the Eastern Tenmax Procurement Agreement. The aggregate amount of purchase made by Eastern Tenmax under the Previous Eastern Tenmax Procurement Agreement is approximately NT\$972,900 (equivalent to approximately HK\$247,917).

Taiwan NB has signed the Eastern Tenmax Procurement Agreement with Eastern Tenmax on 22 March 2019, which will expire on 31 May 2019, with terms similar to the New Eastern Tenmax Procurement Agreement. As at the Latest Practicable Date, the aggregate amount of purchase made by Eastern Tenmax under the Eastern Tenmax Procurement Agreement was approximately NT\$4,760,001 (equivalent to approximately HK\$1,212,955).

### **Annual cap**

Pursuant to the terms of the New Eastern Tenmax Procurement Agreement, the annual cap in respect of the aggregate amount of purchase to be made by Eastern Tenmax thereunder shall be NT\$70,000,000 (equivalent to approximately HK\$17,837,576) from 1 June 2019 to 31 December 2019; NT\$150,000,000 (equivalent to approximately HK\$38,223,377) from 1 January 2020 to 31 December 2020; NT\$250,000,000 (equivalent to approximately

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## LETTER FROM THE BOARD

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HK\$63,705,629) from 1 January 2021 to 31 December 2021; and NT\$150,000,000 (equivalent to approximately HK\$38,223,377) from 1 January 2022 to 31 May 2022. The annual cap has been arrived at based on the following factors:

- (i) the historical amount of purchase made by Eastern Tenmax under the Previous Eastern Tenmax Procurement Agreement and the Eastern Tenmax Procurement Agreement respectively;
- (ii) the projected amount of purchase to be made by Eastern Tenmax under the New Eastern Tenmax Procurement Agreement; and
- (iii) the changes in the price of the products to be purchased.

### **Information on the parties**

Eastern Tenmax is a company incorporated in Taiwan with limited liability. It is principally engaged in wholesale and retailing of various goods.

Taiwan NB is a company incorporated in Taiwan with limited liability. It is principally engaged in: (i) production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

### **G. EASTERN HOME TRADEMARK LICENCE AGREEMENT**

On 16 April 2019 (after trading hours), NB China entered into the Eastern Home Trademark Licence Agreement with Eastern Home.

As disclosed in the section headed “D. New Eastern Home Consignment Agreement” above, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the Eastern Home Trademark Licence Agreement constitute continuing connected transactions of the Company.

The major terms of the Eastern Home Trademark Licence Agreement are as follows:

<b>Date</b>	16 April 2019
<b>Parties</b>	(i) NB China; and (ii) Eastern Home
<b>Nature of transactions</b>	NB China agreed to grant Eastern Home a non-exclusive licence to use the Trademarks in respect of products mutually agreed between the parties.

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## LETTER FROM THE BOARD

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In respect of such mutually agreed products, Eastern Home will be able to (i) reproduce and/or print the Trademarks on the packaging and marketing materials of such products and (ii) broadcast, transmit, distribute and/or publish such marketing materials during the process of marketing and sales of such products.

### **Royalty**

Eastern Home shall pay NB China a royalty for the licence to use the Trademarks (the “**Royalty**”) at 3% of the net proceeds from the sale of mutually agreed products through various channels operated by Eastern Home (including but not limited to television, internet and catalogues etc.) to the end customers.

### **Condition**

The Eastern Home Trademark Licence Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.

### **Term**

From 1 June 2019 to 31 May 2022.

### **Basis of determination of pricing term**

The parties to the Eastern Home Trademark Licence Agreement determined the rate of Royalty based on the market level of royalty rates under similar trademark licence agreements. Since the rate of Royalty is in line with the said market level, the Directors consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in this circular) consider the pricing term under the Eastern Home Trademark Licence Agreement to be fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

### **Annual cap**

Pursuant to the Eastern Home Trademark Licence Agreement, the annual cap in respect of the aggregate Royalty payable by Eastern Home to NB China thereunder shall be NT\$15,000,000 (equivalent to approximately HK\$3,822,338) from 1 June 2019 to 31 December 2019; NT\$20,000,000 (equivalent to approximately HK\$5,096,450) from 1 January 2020 to 31 December 2020; NT\$30,000,000 (equivalent to approximately HK\$7,644,675) from 1 January 2021 to 31 December 2021; and NT\$15,000,000 (equivalent to approximately HK\$3,822,338) from 1 January 2022 to 31 May 2022. If the annual cap is reached for a particular year, there will not be any further Royalty payable by Eastern Home to NB China

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## LETTER FROM THE BOARD

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for that year. Notwithstanding the foregoing, Eastern Home will continue to be able to use the Trademarks. The annual cap has been arrived at based on the projected net proceeds from the sale of mutually agreed products through various channels operated by Eastern Home to the end customers.

### **Information on the parties**

Eastern Home is a company incorporated in Taiwan with limited liability. It is principally engaged in distribution of goods through TV shopping and e-commerce in Taiwan. It is the first TV shopping company in Taiwan.

NB China is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment and wholesale and retailing of various goods.

### **H. INTERNAL CONTROL MEASURES**

The Group will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under the New CCT Agreements in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any Independent Third Parties, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (i) The account department of the Group will, before the Group enters into any individual sales contract or agreement in respect of the transactions under the New CCT Agreements with the connected persons, first obtain quotations and other key terms for providing products and services of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group will then compare the quotations and terms obtained with the terms of existing sales contracts or agreements entered into by the Group with Independent Third Parties (if any). The Group will also evaluate the quotations and terms obtained against the terms of such existing sales contracts or agreements and will take into account the Group's own judgment based on its experience and knowledge of current market conditions;
- (ii) once the operational team is satisfied that the quotation and terms obtained from the aforesaid two Independent Third Parties are at prevailing market prices and terms, the relevant operational team of the Group will then review and evaluate the prices and terms proposed to be offered by/to the connected persons to/by our Group and compare such prices and terms with that obtained from the Independent Third Parties;
- (iii) the chief executive officer of the Company shall be responsible for approving the individual sales contract or agreement in respect of the transactions to ensure that the price and terms as agreed thereunder are fair and reasonable and no less favorable than those offered by Independent Third Parties and in accordance with the New CCT Agreements and the pricing policies of the Company through the above-mentioned process;

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## LETTER FROM THE BOARD

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- (iv) the chief financial officer of the Company shall also be responsible for monitoring the aggregate transaction amounts of the New CCT Agreements incurred on a monthly basis to ensure that the annual caps therein are not exceeded. If and when the chief financial officer of the Company becomes aware of the actual aggregate transaction amount of any transaction under the New CCT Agreements will soon exceed its annual cap for the relevant financial year/periods, they would also ensure that no further transactions in respect of that particular transaction shall be carried out for the remainder of the relevant financial year/period;
- (v) the auditors of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the New CCT Agreements;
- (vi) the internal audit department of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the New CCT Agreements; and
- (vii) the independent non-executive Directors will conduct a review of the New CCT Agreements to ensure that the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

By implementing the above internal control measures and procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control measures and procedures to ensure that the transactions contemplated under the New CCT Agreements will be on normal commercial terms and no less favourable to the Group than available from Independent Third Parties.

### **I. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

Following the close of the unconditional mandatory general cash offer for all the issued share capital in the Company (other than those already owned by FESS and/or parties acting in concert with it) by CCB International Capital Limited for and on behalf of Insbro, FESS becomes a controlling shareholder of the Company. EMI, the 100% shareholder of FESS, is an investment holding company holding interests in various companies focusing in media, virtual retail, real estate, and entertainment content production in Taiwan. To the best knowledge of the Directors, EMI is desirous to utilise the network and resources of its subsidiaries or associated companies to accelerate the expansion of the Group's business and to improve the financial performance of the Group.

As the Directors consider that the cooperation between the Group and ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax under the CCT Agreements has been satisfactory, and in view of the strategic cooperation relationship with the EMI Group, the Directors intend to continue and strengthen the existing cooperation between the Group with the above parties by entering into the New CCT Agreements.

The Directors consider that the New ET New Media Cooperation Agreement provides a framework to promote the "Natural Beauty" brand and products by utilising the marketing expertise of ET New Media. As a result, the renewal of the New ET New Media Cooperation Agreement represents an opportunity to the Group to further enhance brand awareness and increase sales.



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## LETTER FROM THE BOARD

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The Directors consider that the New Eastern Health Procurement Agreement provides a framework to allow the Group to purchase products which the Group currently has no in-house capability to manufacture but does sell to end customers as one of its ordinary and usual course of business, e.g. health supplements at a discount, thereby reducing the procurement costs of the Group and would help improve the financial performance of the Group.

The Directors consider that the New Eastern Home Consignment Agreement provide a framework to (a) allow the Group to sell “Natural Beauty” products via the well-established sales channels of Eastern Home and (b) increase the exposure of the “Natural Beauty” brand and products by leveraging on the extensive sales channels operated by Eastern Home. As a result, the entering into of the New Eastern Home Consignment Agreement represents an opportunity to the Group to further expand its business and increase sales.

The Directors consider that the New Strawberry Service Agreement provides a framework for the Group to utilise its existing customer base and sales network to market the Strawberry Goods, thereby generating a sustainable revenue stream for the Group without substantial additional costs.

The Directors consider that the New Eastern Tenmax Procurement Agreement provides the Group with an additional distribution channel of the Group’s products and hence an opportunity to increase sales.

The Directors consider that the Eastern Home Trademark Licence Agreement will increase the exposure of the Group’s brand name while simultaneously generate a new revenue stream for the Group without substantial additional costs.

The Directors (excluding the independent non-executive Directors, whose views will be set out in the letter from the Independent Board Committee to be included in this circular to be despatched to the Shareholders) consider the terms of each of the New CCT Agreements had been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are (other than the New Strawberry Service Agreement) in the ordinary and usual course of business of the Group, and hence consider the terms of each of the New CCT Agreements (including their respective pricing arrangement and proposed annual caps) are fair and reasonable and in the interests of the Shareholders as a whole.

### **J. INFORMATION ON THE GROUP**

The Company is listed on the Main Board of the Stock Exchange. The Group is principally engaged in (a) manufacturing and sales of a range of products including skin care, beauty, aroma-therapeutic products, health supplements and make-up products and beauty apparatus and (b) provision of skin treatments, beauty and spa services, medical cosmetology services, skin care consulting and beauty training.

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## LETTER FROM THE BOARD

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### **K. LISTING RULES IMPLICATIONS**

As disclosed above, the transactions contemplated under each of the New CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (a) ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax are connected with one another through FESS, a controlling shareholder of the Company, and/or Insbro, a substantial shareholder of the Company, and (b) the Previous Agreements, the CCT Agreements and the New CCT Agreements were all entered into or completed within a 12-month period, the Directors consider it is appropriate to aggregate the Previous Agreements, the CCT Agreements and the New CCT Agreements pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate of (i) the highest annual cap of each of the New CCT Agreements, (ii) the cap of each of the CCT Agreements, and (iii) the historical transaction amount of the Previous Agreements exceeds 5%, the entering into of the New CCT Agreements is subject to the reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Since the Directors consider that the transactions contemplated under the New CCT Agreements (other than the New Strawberry Service Agreement) are of revenue in nature and in the ordinary and usual course of business of the Group, such transactions do not fall under the definition of "transaction" under Chapter 14 of the Listing Rules and are not subject to the requirements under Chapter 14 the Listing Rules.

The Directors consider that the transactions contemplated under the New Strawberry Service Agreement are not in the ordinary and usual course of business of the Group. As the highest applicable percentage ratio in respect of the aggregate of (i) the highest annual cap of the New Strawberry Service Agreement and (ii) the cap of the Strawberry Service Agreement pursuant to Rule 14.22 of the Listing Rules is more than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the entering into of the New Strawberry Service Agreement constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

### **L. EGM**

Set out on pages 70 to 73 is a notice convening the EGM to be held at Room 2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 3 June 2019 at 11:00 a.m. At the EGM, relevant resolutions will be proposed to consider and, if thought fit, to approve the terms of the New CCT Agreements (including the annual caps) and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. 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.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than FESS which held 600,630,280 Shares (representing 30% of the total issued share capital of the Company) and Insbro which held 455,630,196 Shares (representing 22.76% of the total issued share capital of the Company), no other Shareholders would be required to abstain from voting on the relevant resolutions approving each of the New CCT Agreements at the EGM.

For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Thursday, 30 May 2019 to Monday, 3 June 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2019. In the event that the EGM is adjourned to a date later than 3 June 2019 because of bad weather or other reasons, the period of close of the register of members and the last registration date for determination of the entitlement to attend and vote at the EGM will remain as the aforesaid period and date.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to have been revoked. Voting on the proposed resolution at the EGM will be taken by poll.

### **M. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the New CCT Agreements, and to advise and make recommendations to the independent Shareholders as to how to vote at the EGM on the resolutions in relation to each of the New CCT Agreements. No member of the Independent Board Committee has any material interest in the New CCT Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Pelican has been appointed as the Independent Financial Adviser in accordance with the Listing Rules to advise the Independent Board Committee and independent Shareholders as to whether the New CCT Agreements are fair and reasonable, and whether New CCT Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and how to vote on the New CCT Agreements and the transactions contemplated thereunder.

### **N. RECOMMENDATION**

The Directors excluding Dr. Lei Chien, Mr. Pan Yi-Fan, Ms. Lu Yu-Min and Ms. Lin Shu-Hua who are Directors nominated by EMI and therefore are considered to have a material interest in the New CCT Agreements and the transactions contemplated respectively thereunder and have abstained from voting on the relevant board resolutions approving the New CCT Agreements (including the independent non-executive Directors whose recommendations are set out in the letter from the Independent Board Committee, after considering the opinion and advice of the Independent Financial Adviser) consider that the New CCT Agreements and the annual caps of the transactions contemplated thereunder (i) have been negotiated on arm's length basis, (ii) will be conducted in normal commercial terms or terms no less favourable than those available to or from Independent Third Parties, and (iii) are fair and reasonable, (other than the New Strawberry Service Agreement) in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole and accordingly recommend the independent Shareholders to vote in favour of the relevant resolutions approving each of the New CCT Agreements and the respective annual caps of the transactions contemplated thereunder.

### **O. ADDITIONAL INFORMATION**

Your attention is also drawn to (i) the letter from the Independent Board Committee to the independent Shareholders on pages 27 to 28 of this circular, (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders on pages 29 to 65 of this circular, and the appendix on pages 66 to 69 of this circular.

Yours faithfully,  
For and on behalf of the Board  
**Natural Beauty Bio-Technology Limited**  
**LEI Chien**  
*Chairperson*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the independent Shareholders in relation to the New CCT Agreements and the transactions contemplated thereunder.*



自然美  
natural beauty

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock code: 00157)**

17 May 2019

*To the independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS RELATING TO NEW CCT AGREEMENTS**

We refer to the circular of the Company to the Shareholders dated 17 May 2019 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the New CCT Agreements and the transactions contemplated thereunder together with the annual caps. Pelican has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in arriving at such advice, are set out on pages 29 to 65 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the New CCT Agreements and the transactions contemplated thereunder together with the annual caps, and taking into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the entering into of the New CCT Agreements are, (other than the New Strawberry Service Agreement) in the ordinary and usual course of business of the Company, in the interests of the Group and the Shareholders as a whole, and the terms of the New CCT Agreements and the transactions contemplated

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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thereunder together with the annual caps are on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the terms of each of the New CCT Agreements, the transactions contemplated thereunder and the annual caps.

Yours faithfully,  
**Independent Board Committee**  
**CHEN Ruey-Long**  
**LU Chi-Chant**  
**YANG Shih-Chien**  
*Independent non-executive Directors*

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## LETTER FROM PELICAN

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*The following is the text of a letter of advice from, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in relation to the continuing connected transactions, which has been prepared for the purpose of incorporation in this circular.*



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## PELICAN FINANCIAL LIMITED

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15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

17 May 2019

*To the Independent Board Committee and the Independent Shareholders of  
Natural Beauty Bio-Technology Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New CCT Agreements, details of which are set out in the letter from the Board contained in the circular of the Company dated 17 May 2019 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As disclosed in the New CCT Announcement, the respective term of the CCT Agreements will expire on 31 May 2019. As the Directors consider that the cooperation between the Group and ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax under the CCT Agreements has been satisfactory, and in view of the strategic cooperation relationship with the EMI Group, the Directors intend to continue and strengthen the existing cooperation between the Group with the aforementioned parties by entering into the New CCT Agreements on 16 April 2019.

Since (a) ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax are connected with one another through FESS, a controlling shareholder of the Company, and/or Insbro, a substantial shareholder of the Company, and (b) the Previous Agreements, the CCT Agreements and the New CCT Agreements were all entered into or completed within a

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## LETTER FROM PELICAN

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12-month period, the Directors consider it is appropriate to aggregate the Previous Agreements, the CCT Agreements and the New CCT Agreements pursuant to Rule 14A.81 of the Listing Rules and it follows that the transactions contemplated under each of the New CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate of (i) the highest annual cap of each of the New CCT Agreements, (ii) the cap of each of the CCT Agreements, and (iii) the historical transaction amount of the Previous Agreements exceeds 5%, the entering into of the New CCT Agreements is subject to the reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Chen Ruey-Long, Mr. Lu Chi-Chant, and Mr. Yang Shih-Chien, has been established to advise the Independent Shareholders regarding the New CCT Agreements. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the New CCT Agreements (including the annual caps) are in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the New CCT Agreements (including the annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the New CCT Agreements and the transactions contemplated thereunder (including the annual caps) at the EGM.



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## LETTER FROM PELICAN

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the New CCT Agreements (together with the relevant announcement of the Company dated 16 April 2019), the CCT Agreements and the Previous Agreements (together with the relevant announcement of the Company dated 22 March 2019), the annual report of the Company for the financial year ended 31 December 2018 (the “**Annual Report**”), the Circular, as well as information and documents supporting the prices and terms at which the Group buys and sells such products and services to and from Independent Third Parties as well as to and from the relevant connected parties, where appropriate. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason 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 management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group. Nonetheless, we shall continue to communicate with the Company, its management and/or the Directors and use our reasonable endeavours to ensure that the information referred to in the Circular continues to be true, accurate and complete as at the date of the EGM, and the Shareholders will be informed of any material change of information in the Circular.

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## LETTER FROM PELICAN

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### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the New CCT Agreements (including the annual caps), we have considered the following principal factors and reasons:

#### 1. Background of the New CCT Agreements

As the CCT Agreements will expire on 31 May 2019 and the Group expects to continue certain recurring transactions contemplated under the CCT Agreements and to enter into a new recurring license agreement with Eastern Home for the period from 1 June 2019 to 31 May 2022 (the “**Projection Periods**”), the Company entered into the New CCT Agreements on 16 April 2019.

Set out below is a summary description of the transactions pursuant to the New CCT Agreements.

#### (a) *Products/services to be provided by the connected persons to the Group pursuant to New CCT Agreements*

##### *i. New ET New Media Cooperation Agreement*

On 16 April 2019 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the New ET New Media Cooperation Agreement with ET New Media, pursuant to which Taiwan NB agrees to engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhance the image of the “Natural Beauty” brand and to raise public awareness on the brand.

As at the date of this letter, FESS is a controlling shareholder of the Company, and EMI is the 100% shareholder of FESS. As ET New Media is a direct non-wholly owned subsidiary of EMI owned directly as to approximately 93.90% of its shareholding by EMI, ET New Media is a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the New ET New Media Cooperation Agreement constitute continuing connected transactions of the Company.

##### *ii. New Eastern Health Procurement Agreement*

On 16 April 2019 (after trading hours), Taiwan NB entered into the New Eastern Health Procurement Agreement with Eastern Health, during the term of which Taiwan NB may from time to time make wholesale purchases of products from Eastern Health such as health supplements for on-sale to end customers.

As at the date of this letter, Far Rich can, directly or indirectly, control the composition of a majority of the board of directors of EMI. As such, Far Rich is considered the holding company of EMI for the purposes of the Listing Rules. As Eastern

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## LETTER FROM PELICAN

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Health is an indirect non-wholly owned subsidiary of Far Rich owned indirectly as to 90% of its shareholding by Far Rich, Eastern Health is a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the New Eastern Health Procurement Agreement constitute continuing connected transactions of the Company.

*iii. New Eastern Home Consignment Agreement*

On 16 April 2019 (after trading hours), Taiwan NB entered into the New Eastern Home Consignment Agreement with Eastern Home, pursuant to which Taiwan NB will engage Eastern Home to sell certain products manufactured, distributed or sold by Taiwan NB which are selected by Eastern Home as target products (the “**Target Products**”). The retail price of the Target Products being sold by Eastern Home shall be proposed by Eastern Home and fixed upon the consent of Taiwan NB.

For the year ended 31 December 2018, Eastern Home was accounted for and consolidated in the audited consolidated accounts of EMI as a subsidiary thereof since EMI could during the relevant time, directly or indirectly, control the composition of a majority of the board of directors of Eastern Home. Since 1 January 2019, EMI can no longer directly or indirectly, control the composition of a majority of the board of directors of Eastern Home, and since then Eastern Home has not been and will not be accounted for and consolidated in the audited consolidated accounts of EMI as a subsidiary.

However, given that (a) EMI is holding, directly or indirectly, altogether approximately 25.87% of the shareholding in Eastern Home, (b) one member of the board of directors of Eastern Home, namely Mr. Liao Shang-Wen, is also the chairperson of EMI, (c) FESS is a controlling shareholder of the Company, and EMI is the 100% shareholder of FESS, (d) the vice president of Eastern Home, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, (e) one member of the board of directors of Eastern Home, namely Dr. Lei Chien, is also the chairperson and an executive Director of the Company, (f) the finance vice president of Eastern Home, namely Ms. Lin Shu-Hua, is also a non-executive Director of the Company, and (g) the Eastern Home Consignment Agreement was entered into on the same date as the other transactions disclosed in the Circular, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Eastern Home Consignment Agreement constitute continuing connected transactions of the Company.

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## LETTER FROM PELICAN

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**(b) *Products/services to be provided by the Group to the connected persons pursuant to the New CCT Agreements***

*i. New Strawberry Service Agreement*

On 16 April 2019 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Strawberry Service Agreement with Strawberry, pursuant to which NB China will, within the validity period of the New Strawberry Service Agreement, provide the Strawberry Services to Strawberry for the Service Fees.

As disclosed in the section headed “New Eastern Home Consignment Agreement” above, the Directors consider it appropriate to voluntarily treat Eastern Home as a connected person of the Company. Since (a) Strawberry is an indirect non-wholly owned subsidiary of Eastern Home owned indirectly as to 76% of its shareholding by Eastern Home and (b) the New Strawberry Service Agreement was entered into on the same date as the other New CCT Agreements, the Directors consider that it is also appropriate to voluntarily treat Strawberry as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Strawberry Service Agreement constitute continuing connected transactions of the Company.

*ii. New Eastern Tenmax Procurement Agreement*

On 16 April 2019 (after trading hours), Taiwan NB entered into the New Eastern Tenmax Procurement Agreement with Eastern Tenmax, during the term of which Eastern Tenmax may from time to time make wholesale purchase of Taiwan NB products such as health supplements, skin-care products and cosmetic products, and Taiwan NB shall sell such products to Eastern Tenmax at an agreed discount to relevant retail price for on-sale by Eastern Tenmax.

As at the date of this letter, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Eastern Tenmax and its ultimate beneficial owners is an Independent Third Party. However, given that (a) one member of the board of directors of Eastern Tenmax, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, and (b) the New Eastern Tenmax Procurement Agreement was entered into on the same date as the other transactions disclosed in the Circular, the Directors consider that it is appropriate to voluntarily treat Eastern Tenmax as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the New Eastern Tenmax Procurement Agreement constitute continuing connected transactions of the Company.

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## LETTER FROM PELICAN

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(c) *Non-exclusive licence to use the Trademarks by the connected persons pursuant to the New CCT Agreements*

i. *Eastern Home Trademark Licence Agreement*

On 16 April 2019 (after trading hours), NB China entered into the Eastern Home Trademark Licence Agreement with Eastern Home, pursuant to which NB China agreed to grant Eastern Home a non-exclusive licence to use the Trademarks in respect of products mutually agreed between the parties.

In respect of such mutually agreed products, Eastern Home will be able to (i) reproduce and/or print the Trademarks on the packaging and marketing materials of such products and (ii) broadcast, transmit, distribute and/or publish such marketing materials during the process of marketing and sales of such products.

As disclosed in the paragraph 1(a) iii headed “New Eastern Home Consignment Agreement” above, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the Eastern Home Trademark Licence Agreement constitute continuing connected transactions of the Company.

## **2. Principal terms of the New CCT Agreements**

In the New CCT Agreements (i) Taiwan NB agrees to procure from the relevant member(s) of FESS their products or services as set out in Section 1(a) of this letter above; (ii) NB China and Taiwan NB agree to provide the relevant member(s) of FESS and Insbro their products or services as set out in Section 1(b) of this letter above; and (iii) the Company agrees to grant Eastern Home a non-exclusive licence to use the Trademarks as set out in Section 1(c) of this letter above.

The New CCT Agreements are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM of the Company.

In respect of each transaction contemplated under the New CCT Agreements, the Group will procure the connected persons to enter into sales orders/purchase contracts and/or agreements (refer to as “order” or “sales contracts” in general hereinafter, where appropriate). In general, the terms of the engagements and orders in respect of the transactions contemplated under the New CCT Agreements must be fair and reasonable so far as the Group is concerned and each sales contract that the Group and the connected persons to be entered into must pass through the Group’s internal approval procedures (please refer to the sub-section “Internal Control Measures” below for more details on the Group’s internal approval procedures) in order to ensure that each of the engagements and orders in respect of each of the transactions will be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

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## LETTER FROM PELICAN

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### *Internal Control Measures*

To ensure that the terms of each of the sales contracts (for both payable and receivable contracts and/or agreements) under the New CCT Agreements proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms so far as the Group is concerned, the Group has adopted the following internal control procedures and corporate governance measures:

- (i) The account department of the Group will, before the Group enters into any individual sales contract or agreement in respect of the transactions under the New CCT Agreements in relation to the sales/purchase of products and/or services with the connected persons, first obtain quotations and other key terms for providing products and services of similar level and types from at least two Independent Third Parties for reference in relation to market prices and terms. The relevant operational team of the Group will then compare the quotations and terms obtained with the terms of existing sales contracts or agreements entered into by the Group with Independent Third Parties (if any). The Group will also evaluate the quotations and terms obtained against the terms of such existing sales contracts or agreements and will take into account the Group's own judgment based on its experience and knowledge of current market conditions;
- (ii) Once the operational team is satisfied that the quotation and terms obtained from the aforesaid two Independent Third Parties are at prevailing market prices and terms, the relevant operational team of the Group will then review and evaluate the prices and terms proposed to be offered by/to the connected persons to/by our Group and compare such prices and terms with that obtained from the Independent Third Parties;
- (iii) The chief executive officer of the Company shall be responsible for approving the individual sales contract or agreement in respect of the transactions to ensure that the price and terms of the New CCT Agreements as agreed are fair and reasonable and no less favorable than those offered by Independent Third Parties and in accordance with the New CCT Agreements and the pricing policies of the Company through the above-mentioned process;
- (iv) The chief financial officer of the Company shall be responsible for monitoring the aggregate transaction amounts of the New CCT Agreements incurred on a monthly basis to ensure that the annual caps therein are not exceeded. If and when the chief financial officer of the Company becomes aware of the actual aggregate transaction amount of any transaction under the New CCT Agreements will soon exceed its annual cap for the relevant financial year/periods, he/she would ensure that no further transactions in respect of that particular transaction shall be carried out for the remainder of the contract terms;

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## LETTER FROM PELICAN

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- (v) The auditors of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the New CCT Agreements;
- (vi) The internal audit department of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the New CCT Agreements; and
- (vii) The independent non-executive Directors will conduct an annual review of the New CCT Agreements to ensure that the such transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In considering whether the internal control measures and procedures which the Group has been adopting as set out above are adequate and effective, we have walkthrough the internal control systems with four relevant transactions, which include three relevant transactions under the CCT Agreements and Previous Agreements, namely the transactions contemplated under the Eastern Health Procurement Agreement, Eastern Home Consignment Agreement and Previous Eastern Tenmax Procurement Agreement, which involved historical transactions during the terms of the CCT Agreements and Previous Agreements between the period from 1 November 2018 to 31 May 2019, as well as the one transaction conducted between the Group and ET New Media in 2018, and obtained relevant supporting documents including, amongst others, relevant quotations from Independent Third Parties, the approvals from the operational team head, and records of the actual transaction amounts incurred. We noted that the quotations are from sizeable Independent Third Parties. Based on our review of the information and the examination of the internal control system, we are satisfied that the internal control measures have been properly maintained by the Group and that the transactions were conducted on normal commercial terms with price and terms comparable to, or no less favorable than, the market rates. For transactions contemplated under the New Strawberry Service Agreement and Eastern Home Trademark Licence Agreement, since there were no historical transactions, we have obtained and reviewed the pricing bases of Independent Third Parties for similar transactions and found them to be comparable to those under the aforementioned New CCT Agreements.

Further, given that (i) each individual agreement or sales contract in respect of the transactions (for both payable and receivable agreements/contracts) with the connected persons will continue to be compared with the price and terms of similar products and services from/to Independent Third Parties to ensure that the engagements and orders in respect of each of the transactions contemplated under the New CCT Agreements will be conducted on normal commercial terms; (ii) there is appropriate segregation of duties in the approval process in each of the engagements and orders; (iii) a monitoring system is in place with the chief financial officer overseeing to ensure that the annual caps are not exceeded from time to time; and (iv) the pricing and the annual caps of the transactions contemplated under the New CCT Agreements will be annually reviewed by the auditors, the internal audit department and the independent non-executive Directors of the Group, we are satisfied that the internal control measures adopted by the Group will ensure that the price and terms for the engagement of/by the connected persons will be entered on normal commercial terms and are comparable to, or no less favorable than, the market rates as well as there is an effective operating system in place to monitor the annual caps.

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## LETTER FROM PELICAN

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In light of the above, we are of the view that the internal control measures and procedures are adequate and effective in ensuring that the transactions contemplated under the New CCT Agreements have been and will be conducted on normal commercial terms and that the relevant annual caps will not be exceeded and also that the internal control measures adopted by the Group are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### 3. Background information of the Group and the connected persons and the reasons for, and benefits of, entering into the New CCT Agreements

#### (a) Background information of the Group

The Company is listed on the Main Board of the Stock Exchange and is principally engaged in (a) manufacturing and sales of a range of products including skin care, beauty, aroma-therapeutic products, health supplements, make-up products and beauty apparatus and (b) provision of skin treatments, beauty and spa services, medical cosmetology services, skin care consulting and beauty training.

Taiwan NB, an indirect wholly-owned subsidiary of the Company, is a company incorporated in Taiwan with limited liability. It is principally engaged in: (i) production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

NB China, a direct wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability. It is principally engaged in wholesale and retailing of various goods.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2018 as extracted from the Annual Report.

	For the year ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Audited)	(Audited)
<i>Revenue</i>		
– Sales of goods	348,728	393,872
– Service income	20,797	5,702
	<u>369,525</u>	<u>399,579</u>
<b>Total Revenue</b>	<b><u>369,525</u></b>	<b><u>399,579</u></b>
<b>Gross profit</b>	<b><u>222,860</u></b>	<b><u>305,112</u></b>
<b>Profit for the year</b>	<b><u>26,259</u></b>	<b><u>105,388</u></b>



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## LETTER FROM PELICAN

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Revenue generated from sales of goods for the years ended 31 December 2017 and 2018 amounted to approximately HK\$393.9 million and HK\$348.1 million respectively, which represented approximately 98.6% and 94.4% of the total revenue of the Group. As set out in the Annual Report, the Group's principal business activities are manufacturing and sales of a range of products – for instance, skin care, beauty and aroma-therapeutic products, health supplements and make-up products under the “Natural Beauty” brand and new beauty apparatus. As such, product sales are the Group's key revenue contributing factor and primarily come from franchised spas, self-owned-spas and concessionary counters at department stores. Product sales in 2018 amounted to HK\$348.7 million, or 94.4% of the Group's total revenue, representing a drop of HK\$45.1 million or by 11.5% when compared with product sales of HK\$393.9 million in 2017. The drop in product sales was mainly driven by the decrease in turnover in such segment in the PRC market by 13.3% to HK\$273.9 million in 2018 compared with HK\$316.1 million in 2017. The key reasons are the changes in the mixture of products with different marginal gross profit and the revenue mixture of the Group's product/beauty apparatus/service package, and the offering of large promotional discounts on the new spa and medical cosmetology services in PRC in 2018. Meanwhile, the decrease in turnover in such segment in the Taiwan market by 4.6% to HK\$71.3 million in 2018 compared with HK\$74.7 million in 2017 was the result of the drop evidenced in the sales of products.

Service income generated by the Group in 2018 totaled approximately HK\$20.8 million as compared with HK\$5.7 million in the prior year. The Group's service income originates from the self-owned spas' services, medical cosmetology services, training and other services. The Group provides skin treatment, beauty and spa services through its self-owned spas. To invite franchisees, the Group's strategy is to establish self-owned spas as model outlets in strategic locations. The Group, nevertheless, does not share any service income generated from spas run by franchisees under its current franchise arrangements. The Group currently has two self-owned spas and two self-owned medical cosmetology centers in the PRC and three self-owned spas in Taiwan. In 2018, service income increased by 264.4% to HK\$20.8 million compared with HK\$5.7 million in 2017. The surge in service income was the outcome of the increase in turnover of spa services and medical cosmetology service income by 366.0% to HK\$19.5 million compared with HK\$4.2 million in 2017.

Looking forward, it is expected that the Group will leverage the specialised resources from the EMI Group to charter its core beauty and skincare business and to develop new business covering bio-tech beauty/medical cosmetology, e-commerce and to-customer businesses. Moreover, the Group believes that the additional talent pool available from the EMI Group will contribute to a more robust marketing and product development. To add, to reinforce the Group's premium image, the Group plans to open new direct-sale stores in the strategically identified cities. For example, the “Natural Beauty bio-tech-based industrial park” in Fengxian District of Shanghai is currently under construction and is expected to be completed in mid-2020. The park will be an integrated hub combining a bio-tech lab, production base, Research and Development center, logistics center, warehouse and office, which targets to support the rapid expansion of its business by bringing its bio-tech expertise,

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## LETTER FROM PELICAN

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manufacturing ability and production capacity to the next level. The Group's other branding tactics such as celebrity endorsement together with a tailor-made marketing plan will help enhance a wider brand awareness and therefore, stimulating growth in the number of new consumers.

***(b) Background information of the connected persons***

ET New Media is a company incorporated in Taiwan with limited liability. It is principally engaged in operation of internet news outlet, sale of advertising, and audio-video production. It is the first news, media and communication networks in Taiwan.

Eastern Health is a company incorporated in Taiwan with limited liability. It is principally engaged in research and development and sale of health supplements.

Eastern Home is a company incorporated in Taiwan with limited liability. It is principally engaged in distribution of goods through TV shopping and e-commerce in Taiwan. It is the first TV shopping company in Taiwan.

Strawberry is a company incorporated in Hong Kong with limited liability. It is principally engaged in sale of internationally renowned skin care and beauty products through internet.

Eastern Tenmax is a company incorporated in Taiwan with limited liability. It is principally engaged in wholesale and retailing of various goods.

We understand that the Group has been transacting with ET New Media, Eastern Health, Eastern Home and Eastern Tenmax since 2018 and three of them have successfully provided various products and services to the Group and have also maintained good payment records for services provided by the Group to the connected persons.

***(c) The reasons for, and benefits of, entering into the New CCT Agreements***

Following the close of the unconditional mandatory general cash offer for all the issued share capital in the Company (other than those already owned by FESS and/or parties acting in concert with it) by CCB International Capital Limited for and on behalf of Insbro, FESS becomes a controlling shareholder of the Company. EMI, the 100% shareholder of FESS, is an investment holding company holding interests in various companies focusing in media, virtual retail, and entertainment content production in Taiwan. According to the financial results of the EMI Group, and inclusive of that of the Group since 3 October 2018, as published on the website of the Taiwan Stock Exchange, the EMI Group and the Group together recorded a revenue of about NT19.3 billion (equivalent to approximately HK\$4.9 billion) for the year ended 31 December 2018. Given the large business scale of the EMI Group, which was about 13 times larger than that of the Group, we are of the view that the EMI Group possesses sufficient resources to accelerate the Group's business development through the New CCT

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## LETTER FROM PELICAN

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Agreements. To the best knowledge of the Directors, EMI is also desirous to utilise the network and resources of its subsidiaries or associated companies to accelerate the expansion of the Group's business and to improve the financial performance of the Group.

As the Directors consider that the cooperation between the Group and ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax under the CCT Agreements has been satisfactory, and in view of the strategic cooperation relationship with the EMI Group, the Directors intend to continue and strengthen the existing cooperation between the Group with the above parties by entering into the New CCT Agreements.

The New CCT Agreements are entered into between the Group and ET New Media, Eastern Health, Eastern Home, Strawberry and Eastern Tenmax to regulate the transactions contemplated under the CCT Agreements which are recurrent, regular and continuing in nature between the parties. Having considered that (i) the resources of the EMI Group which could substantially accelerate the Group's business development; (ii) the established business relationship between the Group and the above parties; (iii) the proven track records the above parties have in transacting with the Group; and (iv) the good payment records the above parties have maintained with the Group, we are of the view that the transactions contemplating under the New CCT Agreements with the above parties will provide an efficient and effective mean for the Group to carry out certain of its business activities and hence we are of view that the transactions will be carried out in the ordinary and usual course of business and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM PELICAN**

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**4. Principal terms of the transactions and basis for determining the respective annual caps**

*(a) Historical transaction amounts*

Set out below are the estimated transaction amounts of the transactions contemplated under the CCT Agreements and Previous Agreements which were and will be carried out in the period between 1 January 2019 and 31 May 2019 (the “**Historical Period**”):

<b>Transactions</b>	<b>Caps (Note)</b> (’000)	<b>Historical Period</b> <b>Approximate</b> <b>transaction amount</b> (’000)
ET New Media Cooperation Agreement	NT\$2,000 (equivalent to approximately HK\$510)	Nil
Eastern Health Procurement Agreement	NT\$10,000 (equivalent to approximately HK\$2,548)	NT\$4,080 (equivalent to approximately HK\$1,040)
Eastern Home Consignment Agreement	NT\$40,000 (equivalent to approximately HK\$10,193)	NT\$6,469 (equivalent to approximately HK\$1,649)
Strawberry Service Agreement	NT\$3,000 (equivalent to approximately HK\$764)	Nil
Eastern Tenmax Procurement Agreement	NT\$5,000 (equivalent to approximately HK\$1,274)	NT\$973 (equivalent to approximately HK\$248)

*Note:* The caps were determined for the term of the CCT Agreement, i.e. the period from 22 March 2019 to 31 May 2019, as disclosed in the announcement of the Company dated 22 March 2019.

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**LETTER FROM PELICAN**

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**(b) Proposed annual caps of the transactions**

Set out below are the annual caps proposed by the Directors for the Projection Periods in respect of the transactions contemplated under the New CCT Agreements and the relevant breakdowns:

*A. Products/services to be provided by the connected persons to the Group pursuant to New CCT Agreements:*

Transactions	Proposed Annual Cap ('000)			
	Seven months ending 31 Dec 2019	Year ending 31 Dec 2020	Year ending 31 Dec 2021	Five months ending 31 May 2022
1. New ET New Media Cooperation Agreement	NT\$15,000 (equivalent to approximately HK\$3,822)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$10,000 (equivalent to approximately HK\$2,548)
2. New Eastern Health Procurement Agreement	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$80,000 (equivalent to approximately HK\$20,386)	NT\$150,000 (equivalent to approximately HK\$38,223)	NT\$80,000 (equivalent to approximately HK\$20,386)
3. New Eastern Home Consignment Agreement	NT\$200,000 (equivalent to approximately HK\$50,965)	NT\$500,000 (equivalent to approximately HK\$127,411)	NT\$800,000 (equivalent to approximately HK\$203,858)	NT\$500,000 (equivalent to approximately HK\$127,411)
<b>Total: "Payable Annual Caps"</b>	NT\$245,000 (equivalent to approximately HK\$62,432)	NT\$610,000 (equivalent to approximately HK\$155,442)	NT\$980,000 (equivalent to approximately HK\$249,726)	NT\$590,000 (equivalent to approximately HK\$150,345)

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**LETTER FROM PELICAN**

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*B. Products/services to be provided by the Group to the connected persons pursuant to the New CCT Agreements:*

<b>Transactions</b>	<b>Proposed Annual Cap ('000)</b>			
	<b>Seven months ending 31 Dec 2019</b>	<b>Year ending 31 Dec 2020</b>	<b>Year ending 31 Dec 2021</b>	<b>Five months ending 31 May 2022</b>
4. New Strawberry Service Agreement	HK\$5,250 (equivalent to approximately NT\$20,603)	HK\$9,000 (equivalent to approximately NT\$35,319)	HK\$9,000 (equivalent to approximately NT\$35,319)	HK\$3,750 (equivalent to approximately NT\$14,716)
5. New Eastern Tenmax Procurement Agreement	NT\$70,000 (equivalent to approximately HK\$17,838)	NT\$150,000 (equivalent to approximately HK\$38,223)	NT\$250,000 (equivalent to approximately HK\$63,706)	NT\$150,000 (equivalent to approximately HK\$38,223)
<b>Total: "Receivable Annual Caps"</b>	NT\$90,603 (equivalent to approximately HK\$23,088)	NT\$185,319 (equivalent to approximately HK\$47,223)	NT\$285,319 (equivalent to approximately HK\$72,706)	NT\$164,716 (equivalent to approximately HK\$41,973)

*C. Non-exclusive licence to use the trademarks by the connected persons pursuant to the New CCT Agreements*

<b>Transactions</b>	<b>Proposed Annual Cap ('000)</b>			
	<b>Seven months ending 31 Dec 2019</b>	<b>Year ending 31 Dec 2020</b>	<b>Year ending 31 Dec 2021</b>	<b>Five months ending 31 May 2022</b>
6. Eastern Home Trademark Licence Agreement	NT\$15,000 (equivalent to approximately HK\$3,822)	NT\$20,000 (equivalent to approximately HK\$5,096)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$15,000 (equivalent to approximately HK\$3,822)
<b>Total: "Receivable Annual Caps"</b>	NT\$15,000 (equivalent to approximately HK\$3,822)	NT\$20,000 (equivalent to approximately HK\$5,096)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$15,000 (equivalent to approximately HK\$3,822)

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## LETTER FROM PELICAN

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(c) ***Principal terms of the transactions and basis for determining the respective Annual Caps***

*Services to be provided by the connected persons to the Group pursuant to the New CCT Agreements*

(i) New ET New Media Cooperation Agreement

Pursuant to the New ET New Media Cooperation Agreement, the Group may, from time to time, engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhance the image of the “Natural Beauty” brand and to raise public awareness on the brand.

*Basis for determining price and other terms under the New ET New Media Cooperation Agreement*

As set out in the New ET New Media Cooperation Agreement, the advertising fees payable by the Group to ET New Media and the terms thereto for producing, publishing and broadcasting advertisements and organising media events, shall be determined at a discount of at least 50%, to the list price of such projects (being prices ET New Media offers to its clients which are independent third parties).

*Basis for determining and discussion of the annual caps under the New ET New Media Cooperation Agreement*

Set out below are the proposed annual caps for the New ET New Media Cooperation Agreement for the Projection Periods:

	<b>Proposed Annual Caps ('000)</b>			
	<b>Seven months ending 31 Dec 2019</b>	<b>Year ending 31 Dec 2020</b>	<b>Year ending 31 Dec 2021</b>	<b>Five months ending 31 May 2022</b>
<b>New ET New Media Cooperation Agreement</b>	NT\$15,000 (equivalent to approximately HK\$3,822)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$10,000 (equivalent to approximately HK\$2,548)

In determining the annual caps for the New ET New Media Cooperation Agreement, the Group has taken into account (i) the marketing plan and campaigns of Taiwan NB for the same periods; (ii) the historical transaction amount relating to fees payable by the Company under the ET New Media Cooperation Agreement; and (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media during the term of the New ET New Media Cooperation Agreement.

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## LETTER FROM PELICAN

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### Documents obtained and reviewed for the New ET New Media Cooperation Agreement

In connection with the New ET New Media Cooperation Agreement, we have obtained, reviewed and examined (i) a schedule setting out information on the projected aggregate advertising fees to be payable by the Group to ET New Media for the Projection Periods; (ii) a schedule setting out information on the actual/estimated advertising fees to be paid by the Group to ET New Media during the Historical Period; and (iii) three samples of engagements entered into between the Group and ET New Media in 2018.

### Our analysis of the pricing basis of the New ET New Media Cooperation Agreement

The pricing basis of the New ET New Media Cooperation Agreement is determined by the parties at a discount of at least 50%, to the list price of such projects (being prices ET New Media offers to its clients which are independent third parties). In this regard, we have obtained the payment records and terms of three sample engagements made between the Group and ET New Media in 2018, and compared them to those for similar services offered by Independent Third Parties. Based on our review of the documents, we noted that the prices (net of discount) and/or terms offered by ET New Media are in line with the prices and/or terms for similar services offered by Independent Third Parties. As such, the comparison shows that the advertising fees paid or to be paid by the Group to ET New Media were or would be comparable to, or no less favorable than, such market prices and that the pricing basis adopted in the New ET New Media Cooperation Agreement is fair and reasonable.

### Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement

In deriving the proposed annual caps for New ET New Media Cooperation Agreement, the Company has taken into consideration (i) the marketing plan and campaigns of Taiwan NB for the same periods; (ii) the historical transaction amount relating to fees payable by the Company under the ET New Media Cooperation Agreement; and (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media during the term of the New ET New Media Cooperation Agreement.

The actual and estimated transaction amount during the Historical Period is nil, with a cap of NT\$2,000,000 (equivalent to approximately HK\$509,645) during the terms of the ET New Media Cooperation Agreement, i.e. the period from 22 March 2019 to 31 May 2019.



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## LETTER FROM PELICAN

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Despite no transactions had been conducted between the Group and ET New Media during the Historical Period, we are of the view that such review period, i.e. 1 January 2019 – 31 May 2019, is relatively short and not representative especially when the EMI has only become an indirect controlling shareholder of the Group since October 2018, and that a transitional period is reasonable for ET New Media, a direct non-wholly owned subsidiary of EMI, and the Group to understand each other's capability and resources and plan their strategic cooperation before commencing large-scale transactions. As such, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales and the related advertising expenses of the Group during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper.

According to our discussion with the management, after EMI became the indirect controlling shareholder of the Company, the level of co-operation between the Group and the EMI Group as well as the business partners of EMI Group, which are Independent Third Parties of the Group, is expected to increase substantially. Given that EMI is a leading group of enterprises specialized in media, virtual retail, real estate, and entertainment content production in Taiwan, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core beauty and skincare business and develop new businesses covering bio-tech beauty/medical cosmetology, e-commerce and to-customer businesses. As a result of the expected growth in its business scopes and performance, it is expected that the overall advertising expenses of the Group would also increase in parallel with the projected growth of sales. In this respect, we have discussed with the management the basis of the estimation of the advertising fee payable to ET New Media during the Projection Periods and found them to be in line with the anticipated growth in the total sales and the related advertising expenses to be spent by the Group thereon during the Projection Periods.

The projected advertising expenses payable to ET New Media by the Group is expected to be approximately HK\$3.8 million for the seven months ending 31 December 2019, approximately HK\$7.6 million and HK\$7.6 million for each of the two years ending 31 December 2021, and approximately HK\$2.5 million for the five months ending 31 May 2022, accounting for less than 10.0% of the related advertising expenses to be spent by the Group during the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the New ET New Media Cooperation Agreement are within reasonable range and properly estimated.

Also, as the Group and ET New Media have already established business relationship and the advertising services provided by ET New Media have been satisfactory, the continuing appointment of the ET New Media to provide the Group with advertising services would promote the "Natural Beauty" brand and products

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## LETTER FROM PELICAN

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by utilising the marketing expertise of ET New Media. As a result, the renewal of the New ET New Media Cooperation Agreement represents an opportunity to the Group to further enhance brand awareness and increase sales.

In light of the above, we are of the view that the New ET New Media Cooperation Agreement and the terms thereto are on normal commercial terms and the fees payable thereunder as well as the proposed annual caps for the New ET New Media Cooperation Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(ii) New Eastern Health Procurement Agreement

Pursuant to the New Eastern Health Procurement Agreement, the Group may, from time to time, make wholesale purchase of products from Eastern Health such as health supplements for on-sale to end customers.

Basis for determining price and other terms under the New Eastern Health Procurement Agreement

As set out in the New Eastern Health Procurement Agreement, the amount of goods payable by the Group to Eastern Health and the terms thereto for making wholesale purchases of products from Eastern Health will be determined at 60%-70% discount to the relevant market retailing price, depending on the nature of the products.

Basis for determining and discussion of the annual caps under the New Eastern Health Procurement Agreement

Set out below are the proposed annual caps for the New Eastern Health Procurement Agreement for the Projection Periods:

	Proposed Annual Caps ('000)			
	Seven			Five
	months ending	Year ending	Year ending	months ending
	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 May 2022
<b>New Eastern</b>	NT\$30,000	NT\$80,000	NT\$150,000	NT\$80,000
<b>Health</b>	(equivalent to	(equivalent to	(equivalent to	(equivalent to
<b>Procurement</b>	approximately	approximately	approximately	approximately
<b>Agreement</b>	HK\$7,645)	HK\$20,386)	HK\$38,223)	HK\$20,386)

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## LETTER FROM PELICAN

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In determining the annual caps for the New Eastern Health Procurement Agreement, the Group has taken into account (i) the projected purchase amount of goods under the New Eastern Health Procurement Agreement; and (ii) the historical transaction amount under the Previous Eastern Health Procurement Agreement and the Eastern Health Procurement Agreement.

*Documents obtained and reviewed for the New Eastern Health Procurement Agreement*

In connection with the New Eastern Health Procurement Agreement, we have obtained, reviewed and examined (i) schedules setting out information on the projected amount of goods payable by the Group to Eastern Health for the Projection Periods; (ii) schedules setting out the actual/estimated transaction amount paid or to be paid by the Group to Eastern Health during the Historical Period; (iii) information on the prevailing market rates and terms for similar products as offered by Independent Third Parties; and (iv) the sales contract of the single transaction entered into between the Group and Eastern Health during the Historical Period.

*Our analysis of the pricing basis of the New Eastern Health Procurement Agreement*

The pricing basis of the New Eastern Health Procurement Agreement in making wholesale purchase of products from Eastern Health such as health supplements for on-sale to end customers by the Group will be determined at 60%-70% discount to the relevant market retailing price, depending on the nature of the products. In this regard, we have compared the actual/estimated transaction amount paid or to be paid by the Group to Eastern Health for the Historical Period with the relevant market prices for similar products. We have also obtained the payment records and terms of the single transaction made between the Group and Eastern Health during the Historical Period and compared that to the market prices and terms for similar products offered by Independent Third Parties. Based on our review of the documents, we noted that the prices (net of discount) and/or terms for those products sold by Eastern Health to the Group are in line with the prices and/or terms for similar products offered by Independent Third Parties. As such, the comparison shows that product prices paid or to be paid by the Group to Eastern Health were or would be comparable to, or no less favorable than, such market prices and that the pricing basis adopted in the New Eastern Health Procurement Agreement is fair and reasonable.

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## LETTER FROM PELICAN

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*Our analysis of the proposed annual caps for the New Eastern Health Procurement Agreement*

In deriving the proposed annual caps for the New Eastern Health Procurement Agreement, the Group has taken into account (i) the projected purchase amount of goods under the New Eastern Health Procurement Agreement; and (ii) the historical transaction amount under the Previous Eastern Health Procurement Agreement and the Eastern Health Procurement Agreement.

The actual and estimated transaction amount during the Historical Period is NT\$4,080,000 (equivalent to approximately HK\$1,039,676), with a cap of NT\$10,000,000 (equivalent to approximately HK\$2,548,225) during the terms of the Eastern Health Procurement Agreement, i.e. the period from 22 March 2019 to 31 May 2019.

Despite the actual/estimated amount of goods payable to Eastern Health by the Group during the Historical Period appears to be relatively small compared to the cap under the Eastern Health Procurement Agreement, we are of the view that such review period, i.e. 1 January 2019 – 31 May 2019, is relatively short and not representative especially when the EMI has only become an indirect controlling shareholder of the Group since October 2018, and that a transitional period is reasonable for Eastern Health, an indirect non-wholly owned subsidiary of Far Rich (the holding company of EMI), and the Group to understand each other's capability and resources and plan their strategic cooperation before commencing large-scale transactions. As such, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales, purchases and related procurement purchases of the Group during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper. In addition, according to the market statistics published by Department of Statistics – Ministry of Economics Affairs, Republic of China (Taiwan)<sup>1</sup> on 15 January 2019, in the past ten years the pharmaceutical, medical and cosmetic retail industries in Taiwan had been growing at an average annual growth rate of 2.9%, which was higher than the average annual growth of 2.4% of the retail industry during the same period, reflecting the increasing demand for pharmaceutical, medical and cosmetic products in Taiwan, the major market where the Group intends to expand with the New CCT Agreements and take a bigger market share, despite its currently relatively small share in the market. It is also expected that the pharmaceutical, medical and cosmetic retail industries recorded a revenue of more than NT\$200 billion (equivalent to approximately HK\$50.1 billion) in 2018. According to the same market statistics, revenue from the pharmaceutical, medical and cosmetic retail industries in Taiwan recorded between January and November 2018 had increased

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<sup>1</sup> Please refer to [https://www.moea.gov.tw/Mns/dos/bulletin/Bulletin.aspx?kind=9&html=1&menu\\_id=18808&bull\\_id=5661](https://www.moea.gov.tw/Mns/dos/bulletin/Bulletin.aspx?kind=9&html=1&menu_id=18808&bull_id=5661)

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## LETTER FROM PELICAN

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by 4.6% compared to the same period in 2017, which was the highest growth recorded in the past eight years. As such, we are of the view that the above industries would continue to provide ample opportunities for the development of the Group and improve the sales performance of the Group.

Meanwhile, as mentioned in paragraph 4(c)i headed “Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement”, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core business and develop new businesses. We noted from our discussion with the management that, the Group plans to accelerate the opening of its new stores in the identified cities, which would involve the opening of new direct-sale stores in department stores/shopping malls with high customer traffic in order to reinforce the brand’s premium image and boost up revenue from direct-sale stores. As such, it is expected that the sales of the Group’s products for on-sales to end customers and hence the purchases of such products from Independent Third Parties and connected parties including Eastern Health, are expected to increase. In this respect, we have discussed with the management the basis of the estimation of the amount of goods payable to Eastern Health during the Projection Periods and found them to be in line with the anticipated growth in the total purchases of Group as well as the expected purchase costs of related health supplements of the Group during the Projection Periods.

The projected purchase amount of goods payable to Eastern Health by the Group is expected to be approximately HK\$7.6 million for the seven months ending 31 December 2019, approximately HK\$20.4 million and HK\$38.2 million for each of the two years ending 31 December 2021, and approximately HK\$20.4 million for the five months ending 31 May 2022, accounting for less than 10.0% of the expected purchases of the Group during the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the New Eastern Health Procurement Agreement are within reasonable range and properly estimated.

Also, as the Group and Eastern Health have already established business relationship and the products provided by Eastern Health have been satisfactory, the engagement with Eastern Health other than Independent Third Parties would allow the Group to purchase products which the Group currently has no in-house capability to manufacture but does sell to end customers as one of its ordinary and usual course of business, e.g. health supplements at a discount, thereby reducing the procurement costs of the Group and would help improve the financial performance of the Group.

In light of the above, we are of the view that the New Eastern Health Procurement Agreement and the terms thereto are on normal commercial terms and the fees payable thereunder as well as the proposed annual caps for the New Eastern

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## LETTER FROM PELICAN

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Health Procurement Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(iii) New Eastern Home Consignment Agreement

Pursuant to the New Eastern Home Consignment Agreement, the Group may, from time to time, engage Eastern Home to sell certain products manufactured, distributed or sold by the Group which are selected by Eastern Home as Target products. The retail price of the Target Products being sold by Eastern Home shall be proposed by Eastern Home and fixed upon the consent of the Group.

Basis for determining price and other terms under the New Eastern Home Consignment Agreement

As set out in the New Eastern Home Consignment Agreement, 30-50% of the proceeds received by Eastern Home from the end customers through the sale of the Target Products shall be paid over to the Group, subject to the special rewards (the “**Special Rewards**”) which involve a sale commission at 2% of the relevant sale proceeds payable to Eastern Home by the Group, and a marketing sponsorship fee at 3% of the relevant monthly sale proceeds payable to Eastern Home by the Group for such Target Products sold through Eastern Home’s marketing events (the net amount to be paid over to Taiwan NB after deducting the Special Rewards is hereinafter referred to as the “**Net Proceeds**”).

Basis for determining and discussion of the annual caps under the New Eastern Home Consignment Agreement

Set out below are the proposed annual caps for the New Eastern Home Consignment Agreement for the Projection Periods:

	Proposed Annual Caps ('000)			
	Seven			Five
	months ending	Year ending	Year ending	months ending
	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022
<b>New Eastern Home Consignment Agreement</b>	NT\$200,000 (equivalent to approximately HK\$50,965)	NT\$500,000 (equivalent to approximately HK\$127,411)	NT\$800,000 (equivalent to approximately HK\$203,858)	NT\$500,000 (equivalent to approximately HK\$127,411)

In determining the annual caps for the New Eastern Home Consignment Agreement, the Group has taken into account (i) the historical transaction amount relating to the Net Proceeds under the Previous Eastern Home Consignment Agreement and the Eastern Home Consignment Agreement respectively; (ii) the

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## LETTER FROM PELICAN

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projected sale of Target Products under the New Eastern Home Consignment Agreement; and (iii) the projected amount of the Net Proceeds based on (a) the projected sale as mentioned in (ii), (b) the payment term under the New Eastern Home Consignment Agreement (being 30-50% of the sale proceeds), and (c) the projected amount of the Special Rewards.

### Documents obtained and reviewed for the New Eastern Home Consignment Agreement

In connection with the New Eastern Home Consignment Agreement, we have obtained, reviewed and examined (i) a schedule setting out information on the projected Net Proceeds payable by Eastern Home to the Group for the Projection Periods; (ii) a schedule setting out information on the actual/estimated Net Proceeds paid or to be paid by Eastern Home to the Group during the Historical Period; and (iii) three sample engagements, selected on a random sampling basis, entered or to be entered into between the Group and Eastern Home during the Historical Period.

### Our analysis of the pricing basis of the New Eastern Home Consignment Agreement

The pricing basis of the New Eastern Home Consignment Agreement with respect to the Net Proceeds is determined by the parties at 30-50% of the proceeds received by Eastern Home from the end customers through the sale of the Target Products, net of the Special Rewards. In this regard, we have obtained three sample engagements, selected on a random sampling basis, made or to be made between the Group and Eastern Home during the Historical Period, as well as the Net Proceeds paid by Eastern Home to the Group, and compared that to the amount paid by Independent Third Parties to the Group. Based on our review of the documents and market research, we noted that the net proceeds receivable from Independent Third Parties are comparable to the Net Proceeds receivable from Eastern Home for similar products (i.e. approximately in the range of 30-50% of the listed price, whereas the higher end of the fee range applies to less popular products such as gift vouchers). As such, the Net Proceeds receivable from Eastern Home through the sale of the Target Products is within the range of the net proceeds receivable from Independent Third Parties for similar products. In addition, we noted from our discussion with the management that, the higher end of the range of consignment fee is usually applied to products that are less popular and hence a higher consignment fee is charged. As such, the comparison shows that the consignment fees paid or to be paid by the Group to Eastern Home, as represented by the Net Proceeds, were or would be in line with similar transactions conducted with Independent Third Parties and that the pricing basis adopted in the New Eastern Home Consignment Agreement is fair and reasonable.

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## LETTER FROM PELICAN

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*Our analysis of the proposed annual caps for the New Eastern Home Consignment Agreement*

In deriving the proposed annual caps for the New Eastern Home Consignment Agreement, the Company has taken into consideration (i) the historical transaction amount relating to the Net Proceeds under the Previous Eastern Home Consignment Agreement and the Eastern Home Consignment Agreement respectively; (ii) the projected sale of Target Products under the New Eastern Home Consignment Agreement; and (iii) the projected fees, commission and cost of sales deductible from the amount described in paragraph (ii) above.

The actual and estimated transaction amount during the Historical Period is NT\$6,469,486 (equivalent to approximately HK\$1,648,571), with a cap of NT\$40,000,000 (equivalent to approximately HK\$10,192,901) during the terms of the Eastern Home Consignment Agreement, i.e. the period from 22 March 2019 to 31 May 2019.

Despite the actual/estimated Net Proceeds receivable from Eastern Home to the Group during the Historical Period appears to be relatively small compared to the cap under the Eastern Home Consignment Agreement, we are of the view that such review period, i.e. 1 January 2019 – 31 May 2019, is relatively short and not representative especially when the FESS has only become a controlling shareholder of the Group since October 2018, and that a transitional period is reasonable for Eastern Home, a party that is voluntarily treated as a connected person of the Company by the Directors as mentioned in the paragraph 1(a)iii headed “New Eastern Home Consignment Agreement”, and the Group to understand each other’s capability and resources and plan their strategic cooperation before commencing large-scale transactions. As such, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales and sales from consignment arrangements of the Group during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper.

In addition to the positive industry prospect mentioned in the paragraph 4(c)ii headed “Our analysis of the proposed annual caps for the New Eastern Health Procurement Agreement” above, as mentioned in paragraph 4(c)i headed “Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement”, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core business and develop new businesses. We noted from our discussion with the management that, it is expected that with the additional resources and greater talent pool available from the EMI Group, the Group would be able to develop new product lines for e-commerce business and to build brand awareness among young consumers via on-line as well as off-line channels outside their franchisee stores, therefore boosting the sales of its products to Independent Third Parties, connected parties as well as end-customers



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## LETTER FROM PELICAN

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under the New Eastern Home Consignment Agreement. In this respect, we have discussed with the management the basis of the estimation of the Net Proceeds receivable from Eastern Home during the Projection Periods and found them to be in line with the anticipated growth in the total sales as well as the expected sales made from consignment during the Projection Periods.

The projected Net Proceeds receivable from Eastern Home to the Group is expected to be approximately HK\$51.0 million for the seven months ending 31 December 2019, approximately HK\$127.4 million and HK\$203.9 million for each of the two years ending 31 December 2021, and approximately HK\$127.4 million for the five months ending 31 May 2022, accounting for less than 20.0% of the Group's revenue for the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the New Eastern Home Consignment Agreement are within reasonable range and properly estimated.

Also, as the Group and Eastern Home have already established business relationship and the consignment services provided by Eastern Home have been satisfactory, the continuing appointment of the Eastern Home to provide the Group with consignment services would allow the Group to sell "Natural Beauty" products via the well-established sales channels of Eastern Home and increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by Eastern Home. As a result, the entering into of the New Eastern Home Consignment Agreement represents an opportunity to the Group to further expand its business and increase sales.

In light of the above, we are of the view that the New Eastern Home Consignment Agreement and the terms thereto are on normal commercial terms and the fees payable thereunder as well as the proposed annual caps for the New Eastern Home Consignment Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(iv) New Strawberry Service Agreement

Pursuant to the New Strawberry Service Agreement, the Group will, within the validity period of the New Strawberry Service Agreement, provide the Strawberry Services to Strawberry for the Service Fees.

Basis for determining price and other terms under the New Strawberry Service Agreement

As set out in the New Strawberry Service Agreement, the Service Fees payable by Strawberry to the Group and the terms thereto will be determined at 25% of the gross item price of the Strawberry Goods ordered therein as indicated on the Strawberry Website as at the date of such Purchase Order.

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## LETTER FROM PELICAN

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### Basis for determining and discussion of the annual caps under the New Strawberry Service Agreement

Set out below are the proposed annual caps for the New Strawberry Service Agreement for the Projection Periods:

	Proposed Annual Caps ('000)			
	Seven	Year ending		Five
	months ending	Year ending	Year ending	months ending
	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 May 2022
<b>New Strawberry Service Agreement</b>	HK\$5,250	HK\$9,000	HK\$9,000	HK\$3,750

In determining the annual caps for the New Strawberry Service Agreement, the Group has taken into account (i) the estimated aggregate of the gross item price of Strawberry Goods ordered by end customers through the NB Website during the term of the New Strawberry Service Agreement; (ii) the historical transaction amount relating to Service Fees under the Strawberry Service Agreement; and (iii) the agreed rate of the Service Fees.

### Documents obtained and reviewed for the New Strawberry Service Agreement

In connection with the New Strawberry Service Agreement, we have obtained, reviewed and examined (i) a schedule setting out information on the projected Service Fees to be payable by Strawberry to the Group for the Projection Periods; and (ii) a schedule setting out information on the actual/estimated Service Fees paid or to be paid by Strawberry to the Group during the Historical Period.

### Our analysis of the pricing basis of the New Strawberry Service Agreement

The pricing basis of the New Strawberry Service Agreement is determined by the parties at 25% of the gross item price of the Strawberry Goods ordered therein as indicated on the Strawberry Website as at the date of such Purchase Order. Since no transactions have occurred between the parties yet, we have compared the Service Fees with the market level of fees and terms for similar services offered by Independent Third Parties. Based on our review of the documents, we noted that the Service Fees of 25% charged or to be charged by the Group, is in line with the market range of fees at between 20% to 25% for similar services chargeable by Independent Third Parties. As such, the comparison shows that the projected Service Fees to be received by the Group from Strawberry would be comparable to, or no less favorable than, the market level of fees for similar services and that the pricing basis adopted in the New Strawberry Service Agreement is fair and reasonable.

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## LETTER FROM PELICAN

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### *Our analysis of the proposed annual caps for the New Strawberry Service Agreement*

In deriving the proposed annual caps for the New Strawberry Service Agreement, the Company has taken into consideration (i) the estimated aggregate of the gross item price of Strawberry Goods ordered by end customers through the NB Website during the term of the New Strawberry Service Agreement; (ii) the historical transaction amount relating to Service Fees under the Strawberry Service Agreement; and (iii) the agreed rate of the Service Fees.

The actual and estimated transaction amount during the Historical Period is nil, which has a cap of NT\$3,000,000 (equivalent to approximately HK\$764,468) during the terms of the Strawberry Service Agreement, i.e. the period from 22 March 2019 to 31 May 2019.

Despite no transactions had been conducted between the Group and Strawberry during the Historical Period, we are of the view that such review period, i.e. 1 January 2019 – 31 May 2019, is relatively short and not representative especially when the FESS has only become a controlling shareholder of the Group since October 2018, and that a transitional period is reasonable for Strawberry, a party that is voluntarily treated as a connected person of the Company by the Directors as mentioned in the paragraph 1(b)i headed “New Strawberry Service Agreement”, and the Group to understand each other’s capability and resources and plan their strategic cooperation before commencing large-scale transactions. As such, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales of the Group and related Service Fees receivable from Strawberry during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper.

In addition to the positive industry prospect mentioned in the paragraph 4(c)ii headed “Our analysis of the proposed annual caps for the New Eastern Health Procurement Agreement” above, as mentioned in paragraph 4(c)i headed “Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement”, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core business and develop new businesses. We noted from our discussion with the management that, as Strawberry.net is an internationally famous brand name, it is expected that bringing Strawberry Goods to its customers on its online stores would diversify the Group’s business and increase the Group’s revenue through gaining online visits and hence sales of Strawberry Goods and other products of the Group to new customers. In this respect, we have discussed with the management the basis of the estimation of the Service Fees receivable during the Projection Periods and found them to be in line with the anticipated growth in the total sales and the expected sales of Strawberry Goods during the Projection Periods.

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## LETTER FROM PELICAN

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The projected amount of Service Fees receivable from Strawberry to Group is expected to be approximately HK\$5.3 million for the seven months ending 31 December 2019, approximately HK\$9.0 million and HK\$9.0 million for each of the two years ending 31 December 2021, and approximately HK\$3.8 million for the five months ending 31 May 2022, accounting for less than 2.0% of the Group's revenue for the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the New Strawberry Service Agreement are within reasonable range and properly estimated.

Also, the continuing engagement between the Group and Strawberry for the Group's Strawberry Services, would allow the Group to utilise its existing customer base and sales network to market the Strawberry Goods, thereby generating a sustainable revenue stream for the Group without substantial additional costs.

In light of the above, we are of the view that the New Strawberry Service Agreement and the terms thereto are on normal commercial terms and the fees payable thereunder as well as the proposed annual caps for the New Strawberry Service Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(v) New Eastern Tenmax Procurement Agreement

Pursuant to the New Eastern Tenmax Procurement Agreement, Eastern Tenmax may, from time to time make wholesale purchase of Taiwan NB products such as health supplements, skin-care products and cosmetic products, and Taiwan NB shall sell such products to Eastern Tenmax at an agreed discount to relevant retail price for on-sale by Eastern Tenmax.

*Basis for determining price and other terms under the New Eastern Tenmax Procurement Agreement*

As set out in the New Eastern Tenmax Procurement Agreement, the amount of purchase payable by Eastern Tenmax to the Group and the terms thereto shall be determined at an agreed discount to the relevant market retail price.

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## LETTER FROM PELICAN

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### Basis for determining and discussion of the annual caps under the New Eastern Tenmax Procurement Agreement

Set out below are the proposed annual caps for the New Eastern Tenmax Procurement Agreement for the Projection Periods:

	Proposed annual caps ('000)			
	Seven	Year ending		Five
	months ending	Year ending	Year ending	months ended
	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 May 2022
<b>New Eastern</b>	NT\$70,000	NT\$150,000	NT\$250,000	NT\$150,000
<b>Tenmax</b>	(equivalent to	(equivalent to	(equivalent to	(equivalent to
<b>Procurement</b>	approximately	approximately	approximately	approximately
<b>Agreement</b>	HK\$17,838)	HK\$38,223)	HK\$63,706)	HK\$38,223)

In determining the annual caps for the New Eastern Tenmax Procurement Agreement, the Group has taken into account (i) the historical amount of purchase made by Eastern Tenmax under the Previous Eastern Tenmax Procurement Agreement and the Eastern Tenmax Procurement Agreement respectively; (ii) the projected amount of purchase to be made by Eastern Tenmax under the New Eastern Tenmax Procurement Agreement; and (iii) the potential changes in the price of the products to be purchased.

### Documents obtained and reviewed for the New Eastern Tenmax Procurement Agreement

In connection with the New Eastern Tenmax Procurement Agreement, we have obtained, reviewed and examined (i) a schedule setting out information on the projected amount of purchase receivable by the Group from Eastern Tenmax for providing products such as health supplements, skin-care products and cosmetic products for the Projection Periods; (ii) a schedule setting out information on the actual/estimated amount of purchase received by the Group from Eastern Tenmax during the Historical Period; (iii) information on the prevailing market prices and terms for similar products offered to Independent Third Parties; and (iv) records of the single transaction made between the Group and Eastern Tenmax during the Historical Period.

### Our analysis of the pricing basis of the New Eastern Tenmax Procurement Agreement

The pricing basis of the New Eastern Tenmax Procurement Agreement is determined at an agreed discount to the relevant market retail price. In this regard, we have obtained payments records and terms of the single transaction made between the Group and Eastern Tenmax during the Historical Period, and compared

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## LETTER FROM PELICAN

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those to the market prices and terms for similar products offered by the Group to Independent Third Parties. Based on our review of the documents, we noted that the prices (net of discount) paid by Eastern Tenmax to the Group were in line with the prices the Group charges for similar products to Independent Third Parties. As such, the comparison shows that product prices paid or to be paid by Eastern Tenmax to the Group were or would be comparable to, or no less favorable than, such market prices paid by Independent Third Parties and that the pricing basis adopted in the New Eastern Tenmax Procurement Agreement is fair and reasonable.

*Our analysis of the proposed annual caps for the New Eastern Tenmax Procurement Agreement*

In deriving the proposed annual caps for the New Eastern Tenmax Procurement Agreement, the Group has taken into account (i) the historical amount of purchase made by Eastern Tenmax under the Previous Eastern Tenmax Procurement Agreement and the Eastern Tenmax Procurement Agreement respectively; (ii) the projected amount of purchase to be made by Eastern Tenmax under the New Eastern Tenmax Procurement Agreement; and (iii) the potential changes in the price of the products to be purchased.

The actual and estimated transaction amount during the Historical Period is NT\$972,900 (equivalent to approximately HK\$247,917), with a cap of NT\$5,000,000 (equivalent to approximately HK\$1,274,113) during the terms of the Eastern Tenmax Procurement Agreement, i.e. the period from 22 March 2019 to 31 May 2019.

Despite the actual/estimated amount of purchase receivable from Eastern Tenmax to the Group during the Historical Period appears to be relatively small compared to the cap under the Eastern Tenmax Procurement Agreement, we are of the view that such review period, i.e. 1 January 2019 – 31 May 2019, is relatively short and not representative especially when the FESS has only become a controlling shareholder of the Group since October 2018, and that a transitional period is reasonable for Eastern Tenmax, a party that is voluntarily treated as a connected person of the Company by the Directors as mentioned in the paragraph 1(b)ii headed “New Eastern Tenmax Procurement Agreement”, and the Group to understand each other’s capability and resources and plan their strategic cooperation before commencing large-scale transactions. As such, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales and purchases of the Group and the relevant purchases receivable from Eastern Tenmax during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper.

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## LETTER FROM PELICAN

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In addition to the positive industry prospect mentioned in the paragraph 4(c)ii headed “Our analysis of the proposed annual caps for the New Eastern Health Procurement Agreement” above, as mentioned in paragraph 4(c)i headed “Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement”, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core business and develop new businesses. We noted from our discussion with the management that, the Group plans to expand its R&D team and engage the business partners of the EMI Group, which specialize in developing high-quality health supplements, skin-care products and cosmetic products, to diversify its product offerings for consumers. It is expected that with the Group’s increased product offerings, the sales of its products to Independent Third Parties and connected parties including Eastern Tenmax will increase significantly. In this respect, we have discussed with the management the basis of the estimation of the amount of purchase receivable from Eastern Tenmax during the Projection Periods and found them to be in line with the anticipated growth in the total sales as well as the expected sale of related Taiwan NB products, such as health supplements, skin-care products and cosmetic products, during the Projection Periods.

The projected amount of purchases receivable from Eastern Tenmax to the Group is expected to be approximately HK\$17.8 million for the seven months ending 31 December 2019, approximately HK\$38.2 million and HK\$63.7 million for each of the two years ending 31 December 2021, and approximately HK\$38.2 million for the five months ending 31 May 2022, accounting for less than 5.0% of the Group’s revenue for the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the New Eastern Tenmax Procurement Agreement are within reasonable range and properly estimated.

Also, as the Group and Eastern Tenmax have already established business relationship and the products provided by the Group to Eastern Tenmax have been satisfactory, the continuing engagement between the Group and Eastern Tenmax would provide the Group with an additional distribution channel of the Group’s products and hence an opportunity to increase sales.

In light of the above, we are of the view that the New Eastern Tenmax Procurement Agreement and the terms thereto are on normal commercial terms and the fees receivable thereunder as well as the proposed annual caps for the New Eastern Tenmax Procurement Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM PELICAN

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(vi) Eastern Home Trademark Licence Agreement

Pursuant to the Eastern Home Trademark Licence Agreement, the Company agreed to grant Eastern Home a non-exclusive licence to use the Trademarks in respect of products mutually agreed between the parties.

In respect of such mutually agreed products, Eastern Home will be able to (i) reproduce and/or print the Trademarks on the packaging and marketing materials of such products and (ii) broadcast, transmit, distribute and/or publish such marketing materials during the process of marketing and sales of such products.

Basis for determining price and other terms under the Eastern Home Trademark Licence Agreement

As set out in the Eastern Home Trademark Licence Agreement, the Royalty payable by Eastern Home to the Group and the terms thereto shall be set at 3% of the net proceeds from the sale of mutually agreed products through various channels operated by Eastern Health (including but not limited to television, internet and catalogues etc.) to end customers.

Basis for determining and discussion of the annual caps under the Eastern Home Trademark Licence Agreement

Set out below are the proposed annual caps for the Eastern Home Trademark Licence Agreement for the Projection Periods:

	Proposed annual caps ('000)			
	Seven months ending 31 Dec 2019	Year ending 31 Dec 2020	Year ending 31 Dec 2021	Five months ended 31 May 2022
<b>Eastern Home Trademark Licence Agreement</b>	NT\$15,000 (equivalent to approximately HK\$3,822)	NT\$20,000 (equivalent to approximately HK\$5,096)	NT\$30,000 (equivalent to approximately HK\$7,645)	NT\$15,000 (equivalent to approximately HK\$3,822)

In determining the annual caps for the Eastern Home Trademark Licence Agreement, the Company has taken into account the projected net proceeds from the sale of mutually agreed products through various channels operating by Eastern Home to the end customers.



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## LETTER FROM PELICAN

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### Documents obtained and reviewed for the Eastern Home Trademark Licence Agreement

In connection with the Eastern Home Trademark Licence Agreement, we have obtained, reviewed and examined (i) a schedule setting out information on the projected amount of sales of products operating by Eastern Home and the relevant amount of Royalty receivable by the Group from Eastern Home for the Projection Periods; and (ii) information on the prevailing market level of royalty rates and the terms offered by Independent Third Parties.

### Our analysis of the pricing basis of the Eastern Home Trademark Licence Agreement

The pricing basis of the Eastern Home Trademark Licence Agreement is set at 3% of the net proceeds from the sale of mutually agreed products through various channels operated by Eastern Home (including but not limited to television, internet and catalogues etc.) to end customers. Since this is a new transaction and no historical transactions were recorded, we have reviewed the royalty rates charged by five companies listed on the Hong Kong Stock Exchange during the period between 2010 and 2018, which had an average royalty rate of around 3.4%, and compared that to the Group's Royalty chargeable at 3% of the value of goods sold and made reference to the terms under similar trademark licence agreements. Based on our review, we noted that the level of the Group's Royalty receivable from Eastern Home is in line with the market level of royalty rates under similar trademark licence agreements. As such, the comparison shows that the projected amount of Royalty to be received by the Group from Eastern Home would be comparable to, or no less favorable than, that offered by Independent Third Parties and that the pricing basis adopted in the New Eastern Home Trademark Licence Agreement is fair and reasonable.

### Our analysis of the proposed annual caps for the Eastern Home Trademark Licence Agreement

In deriving the proposed annual caps for the Eastern Home Trademark Licence Agreement, the Company has taken into account the projected amount of net proceeds from the sale of mutually agreed products through various channels operating by Eastern Home to the end customers.

We have obtained and reviewed the relevant schedules and/or the relevant supporting documents in relation to the projected amount of sales and the related royalty receivable under trademark license agreements of the Group during the Projection Periods, as well as the relevant proposed annual caps, and have also discussed with the management regarding the relevant projection, and they were found to be proper.

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## LETTER FROM PELICAN

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In addition to the positive industry prospect mentioned in the paragraph 4(c)ii headed “Our analysis of the proposed annual caps for the New Eastern Health Procurement Agreement” above, as mentioned in paragraph 4(c)i headed “Our analysis of the proposed annual caps for the New ET New Media Cooperation Agreement”, it is expected that through leveraging the resources and networks of EMI, the Group would be able to boost up its core business and develop new businesses. It is also expected that, with the support of the EMI Group, the Group would be able to diversify its product offerings for consumers. As such, the sales of the Group’s products to Independent Third Parties, connected parties as well as end-customers via Eastern Home are expected to increase significantly. In this respect, we have discussed with the management the basis of the estimation of the amount of Royalty receivable from Eastern Home during the Projection Periods and found them to be in line with the anticipated growth in the total sales, as well as the expected sales of mutually agreed products through various channels operating by Eastern Home to the end customers, during the Projection Periods.

The projected amount of Royalty receivable from Eastern Home to the Group is expected to be approximately HK\$3.8 million for the seven months ending 31 December 2019, approximately HK\$5.1 million and HK\$7.6 million for each of the two years ending 31 December 2021, and approximately HK\$3.8 million for the five months ending 31 May 2022, accounting for less than 1.0% of the Group’s revenue for the Projection Periods which is considered reasonable. Therefore, the proposed annual caps under the Eastern Home Trademark Licence Agreement are within reasonable range.

Also, as the Group and Eastern home have already established business relationship and the consignment services provided by Eastern Home have been satisfactory, we are of the view that the Eastern Home Trademark Licence Agreement would increase the exposure of the Group’s brand name while simultaneously generate a new revenue stream for the Group without substantial additional costs.

In light of the above, we are of the view that the Eastern Home Trademark Licence Agreement and the terms thereto are on normal commercial terms and the fees receivable thereunder as well as the proposed annual caps for the Eastern Home Trademark Licence Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM PELICAN

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### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the New CCT Agreements will be carried out in the ordinary and usual course of business of the Group and is on normal commercial terms; and (ii) the terms of the New CCT Agreements (including the annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM to approve the New CCT Agreements (including the annual caps).

Yours faithfully,  
For and on behalf of  
**Pelican Financial Limited**  
**Charles Li\***  
*Director*

\* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

## 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' and chief executive's interests

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### (b) Substantial shareholders' Interests

As at the Latest Practicable Date, so far as was known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company or their respective associates, the following persons (other than the Directors or the chief executive of the Company or their respective associates) had an interest or short position in the Shares and 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares Held (Note 2)	Approximate percentage of interests in the total number of issued shares (Note 1)
Eastern Media International Corporation ("EMIC") (Note 3)	Interest of controlled companies	600,630,280	30.00%
Far Eastern Silo & Shipping (Panama) S.A. (Note 3)	Beneficial owner	600,630,280	30.00%

Name of Shareholders	Capacity	Number of Shares Held (Note 2)	Approximate percentage of interests in the total number of issued shares (Note 1)
Chao Shih-Heng (Note 4)	Interest of controlled companies	455,630,196	22.76%
Good Titanic Limited (Note 4)	Interest of controlled companies	455,630,196	22.76%
Insbro Holdings Limited (Note 4)	Beneficial owner	455,630,196	22.76%
Tsai Yen-Yu (Note 5)	Interest of controlled companies	445,315,083	22.24%
Lee Ming-Ta (Note 6)	Interest of spouse	445,315,083	22.24%
Next Focus Holdings Limited (Note 7)	Beneficial owner/ Interest of controlled companies	445,315,083	22.24%
Starsign International Limited (Note 7)	Interest of controlled companies	292,958,524	14.63%
Standard Cosmos Limited (Note 7)	Beneficial owner/ Interest of controlled companies	292,958,524	14.63%

## Notes:

- There were 2,002,100,932 Shares in issue at the Latest Practicable Date.
- All the above Shares are held in long position (as defined under Part XV of the SFO).
- As at the Latest Practicable Date, Far Eastern Silo & Shipping (Panama) S.A. was a wholly-owned subsidiary of EMIC. As such, the Shares in which Far Eastern Silo & Shipping (Panama) S.A. is interested were attributable to EMIC.
- As at the Latest Practicable Date, Insbro Holdings Limited was wholly owned by Good Titanic Limited, which was in turn owned as to 100% by Mr. Chao Shih-Heng. As at the Latest Practicable Date, Mr. Chao Shih-Heng was the sole director of each of Insbro Holdings Limited and Good Titanic Limited. As such, the Shares in which Insbro Holdings Limited is interested were attributable to Good Titanic Limited and Mr. Chao Shih-Heng.
- As at the Latest Practicable Date, Dr. Tsai Yen-Yu directly owned 40% of Next Focus Holdings Limited. Next Focus Holdings Limited was therefore a controlled corporation of Dr. Tsai Yen-Yu and interest of 445,315,083 Shares owned by Next Focus Holdings Limited was attributable to Dr. Tsai Yen-Yu.
- As at the Latest Practicable Date, Mr. Lee Ming-Ta was the spouse of Dr. Tsai Yen-Yu and accordingly, was deemed to be interested in the 445,315,083 Shares attributable to Dr. Tsai Yen-Yu pursuant to the SFO.
- As at the Latest Practicable Date, Next Focus Holdings Limited directly held 152,356,559 Shares and directly owned 100% of Starsign International Limited. As at the Latest Practicable Date, Starsign International Limited was the sole shareholder of Standard Cosmos Limited, which, in turn, was the sole shareholder of Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited. As such, the 290,618,524 Shares collectively held by Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited and 2,340,000 Shares held directly by Standard Cosmos Limited (totaling 292,958,524 Shares) were attributable to Standard Cosmos Limited and Starsign International Limited.

Save as disclosed above, so far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other persons had, or was taken or deemed to 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; or were, 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 or had any options in respect of such capital.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which does not expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors nor any of his/her respective associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Group.

### **5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

Save as disclosed above, as at the Latest Practicable Date,

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group.

### **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

**8. QUALIFICATION AND CONSENT OF EXPERT**

The qualification of the expert who has provided its advice which is contained in this circular is as follows:

Name	Qualification
Pelican	a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities as defined in the SFO

Pelican has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Pelican did not have any Shares or share in any members of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any asset which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, 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.

**9. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of each of the Previous Agreements, CCT Agreements, New CCT Agreements, the consent letter from the expert as described in the paragraph headed “Qualification and consent of expert”, the letter from the Independent Financial Adviser, the letter from the Independent Board Committee, and this circular will be available for inspection during normal business hours between 10:00 a.m. to 5:00 p.m. on any business day at the head office and principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from the date of this circular up to and including the date of the EGM.

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## NOTICE OF EGM

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natural beauty

Natural Beauty Bio-Technology Limited  
自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock code: 00157)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Natural Beauty Bio-Technology Limited (the “**Company**”) will be held at Room 2, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 3 June 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

### **ORDINARY RESOLUTIONS**

**“THAT:**

- 1 (a) the New ET New Media Cooperation Agreement dated 16 April 2019 (as defined in the circular of the Company dated 17 May 2019) (the “**Circular**”) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;
- (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the New ET New Media Cooperation Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
- 2 (a) the New Eastern Health Procurement Agreement dated 16 April 2019 (as defined in the Circular of the Company dated 17 May 2019) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;



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## NOTICE OF EGM

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- (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the New Eastern Health Procurement Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
  
- 3
  - (a) the New Eastern Home Consignment Agreement dated 16 April 2019 (as defined in the Circular of the Company dated 17 May 2019) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;
  
  - (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the New Eastern Home Consignment Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
  
- 4
  - (a) the New Strawberry Service Agreement dated 16 April 2019 (as defined in the Circular of the Company dated 17 May 2019) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;
  
  - (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the New Strawberry Service Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;

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## NOTICE OF EGM

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- 5 (a) the New Eastern Tenmax Procurement Agreement dated 16 April 2019 (as defined in the Circular of the Company dated 17 May 2019) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;
- (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the New Eastern Tenmax Procurement Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents; and
- 6 (a) the Eastern Home Trademark Licence Agreement dated 16 April 2019 (as defined in the Circular of the Company dated 17 May 2019) and the transactions contemplated thereunder (including the annual cap) for the term from 1 June 2019 to 31 May 2022 be and are hereby approved;
- (b) any one director of the Company or any two directors of the Company, or any one director and the secretary (as defined in the articles of association of the Company) of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to do all such things and exercise all powers which he/they consider(s) necessary, desirable or expedient in connection with the Eastern Home Trademark Licence Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents.”

On behalf of the Board  
**Natural Beauty Bio-Technology Limited**  
**LEI Chien**  
*Chairperson*

Hong Kong, 17 May 2019

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## NOTICE OF EGM

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*Notes:*

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ir-cloud.com/hongkong/00157/irwebsite>) in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the above meeting (i.e. not later than 11:00 a.m. on Saturday, 1 June 2019) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Thursday, 30 May 2019 to Monday, 3 June 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2019. In the event that the EGM is adjourned to a date later than 3 June 2019 because of bad weather or other reasons, the period of close of the register of members and the last registration date for determination of the entitlement to attend and vote at the EGM will remain as the aforesaid period and date.
5. In case of joint holders of shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
6. **Bad Weather Arrangements**

If a Typhoon Warning Signal No. 8 or above is hoisted or is expected to be hoisted or a Black Rainstorm Warning Signal is in force or expected to be in force in Hong Kong at any time between 7:00 a.m. and 11:00 a.m. on the date of the meeting, the meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force in Hong Kong. Shareholders should in any event exercise due care and caution when deciding to attend the meeting in adverse weather conditions.

*As at the date of this notice, the Board comprises Dr. Lei Chien and Mr. Pan Yi-Fan as executive directors; Mr. Hsiao Wen-Chung, Ms. Lu Yu-Min, Ms. Lin Shu-Hua and Mr. Chen Shou-Huang as non-executive directors; and Mr. Chen Ruey-Long, Mr. Lu Chi-Chant and Mr. Yang Shih-Chien as independent non-executive directors.*