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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)

ANNOUNCEMENT

MATERIAL CHANGE TO THE TERMS OF CONTINUING CONNECTED TRANSACTIONS

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



Reference is made to (i) the announcement of the Company dated 22 March 2019 in relation to the Expired CCT Agreements; (ii) the announcement of the Company dated 16 April 2019 in relation to the Existing CCT Agreements (“**Announcement**”); and (iii) the announcement of the Company dated 22 July 2020 (the “**22 July Announcement**”).

As disclosed in the 22 July Announcement, the Company (through its subsidiaries) and the EMI Group (through its subsidiaries) entered into (i) the Supplemental Agreements to certain Existing CCT Agreements and (ii) the 2020 CCT Agreements.

In light of the downturn in the economy caused by the outbreak of the novel coronavirus (“**COVID-19**”), the Company (through its subsidiaries) entered into the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements on 23 October 2020 (after trading hours), pursuant to which, among others, the proposed annual caps under the Supplemental Agreements and the 2020 CCT Agreements will be adjusted downwards by approximately 30%.

LISTING RULES IMPLICATIONS

As disclosed in the 22 July Announcement, the transactions contemplated under each of the Supplemental Agreements and the 2020 CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules; and the transactions contemplated under the Transfer of Spa Business Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the existing annual caps or effect a material change to the terms of its continuing connected transactions, the Company will be required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules.

As disclosed above, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements seek to amend certain terms of the Amended ET New Media Agreement, Amended Eastern Home Agreement, Amended Eastern Global Agreement and the 2020 CCT Agreements, including but not limited to adjustment of the proposed annual caps thereunder.

As disclosed in the 22 July Announcement, since (a) ET New Media, Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK and Eastern Zhenyu and Strawberry 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 Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement were all entered into or completed within a 12-month period or are otherwise related, the Directors consider it is appropriate to aggregate the Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement pursuant to Rule 14A.81 of the Listing Rules.

As a result of the adjustment in the proposed annual caps under the Amended Existing Agreements and the 2020 CCT Agreements, the applicable percentage ratios have been re-calculated based on the adjusted proposed annual caps under the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements.

Based on the re-calculation, the highest applicable percentage ratio in respect of the aggregate of (i) the highest combined annual caps of each of the Supplemental Agreements (as adjusted by the Supplemental Agreements (II)), (ii) the highest combined annual caps of each of the 2020 CCT Agreements (as adjusted by the 2020 CCT Supplemental Agreements), and (iii) the Transfer of Spa Business Agreement, exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreement as applicable) are subject to the reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, further details of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM is expected to be despatched to the Shareholders on or before 4 November 2020.

The EGM will be convened and held for, among other things, the independent Shareholders to approve the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, the Supplemental Agreements (II) and the 2020 Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable).

INTRODUCTION

Reference is made to the announcements of the Company dated 22 March 2019, the Announcement, and the 22 July Announcement. Unless otherwise defined herein, capitalised terms shall have the same meanings as defined in the 22 July Announcement.

As disclosed in the 22 July Announcement, the Company (through its subsidiaries) and the EMI Group (through its subsidiaries) entered into (i) the Supplemental Agreements to certain Existing CCT Agreements and (ii) the 2020 CCT Agreements.

The Company (through its subsidiaries) entered into the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements on 23 October 2020 (after trading hours), pursuant to which, among others, the proposed annual caps under the Supplemental Agreements and the 2020 CCT Agreements will be adjusted downwards by approximately 30%.

A. ET NEW MEDIA SUPPLEMENTAL AGREEMENT (II)

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Media Supplemental Agreement (II) with ET New Media to further amend certain terms under the Amended ET New Media Agreement.

As disclosed in the Announcement, ET New Media is a connected person of the Company for the purposes of the Listing Rules. As such, the transactions contemplated under the Amended ET New Media Agreement constitute continuing connected transactions of the Company.

Material changes

The changes made to the Amended ET New Media Agreement pursuant to the ET New Media Supplemental Agreement (II) are summarised below:

- Under the Amended ET New Media Agreement, it is agreed that upon the amendments under the ET New Media Supplemental Agreement becoming effective, ET New Media may procure from Taiwan NB, and Taiwan NB shall supply and sell to ET New Media, Taiwan NB's products ("**Products Procurement**"). Pursuant to the ET New Media Supplemental Agreement (II), it is agreed that the proposed transactions regarding the Products Procurement will not be pursued.
- ***Adjustments in proposed annual caps under the ET New Media Supplemental Agreement***

Pursuant to the terms of the ET New Media Supplemental Agreement (II), the proposed annual caps under the ET New Media Supplemental Agreement in respect of the fees payable by Taiwan NB to ET New Media under the Advertising Service shall be adjusted downwards by approximately 30%. Details of the revised proposed annual caps are as follows:

	From 1 January 2020 to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps for Advertising Service under the ET New Media Supplemental Agreement	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)
Adjusted proposed annual caps for Advertising Service under the ET New Media Supplemental Agreement (II)	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

Save for the amendments above, no further change has been made to the Amended ET New Media Agreement.

Given the amendments above, the proposed annual caps regarding Product Procurement, Costs and Royalty under the ET New Media Supplemental Agreement are no longer relevant. Meanwhile, the adjusted proposed annual caps for Advertising Service under the ET New Media Supplemental Agreement (II) as set out above (which will supersede the proposed annual caps for Advertising Service under the ET New Media Supplemental Agreement) shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules. For the avoidance of doubt, the term of the Amended ET New Media Agreement will remain to be extended since the amendment effective date (i.e. the date on which the Company obtains the relevant independent Shareholders' approval) to 31 August 2023.

Historical transaction amount

Taiwan NB signed the Expired ET New Media Cooperation Agreement with ET New Media on 22 March 2019, which expired on 31 May 2019, with terms similar to the Existing ET New Media Cooperation Agreement.

Taiwan NB signed the Existing ET New Media Cooperation Agreement with ET New Media on 16 April 2019, which will expire on 31 May 2022. As at 31 August 2020, the aggregate fees paid or payable by Taiwan NB under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement, which relate solely to the Advertising Service up to 31 August 2020, amounted to approximately NT\$1,163,190 (equivalent to approximately HK\$303,119) and NT\$5,204,705 (equivalent to approximately HK\$1,356,310) respectively.

The actual transaction values of the transactions contemplated under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement for 2019 and for the period ended 31 August 2020 are set out below:

	1 January 2019 to 31 December 2019	1 January 2020 to 31 August 2020
Existing annual caps	NT\$15,000,000 (equivalent to approximately HK\$3,908,897)	NT\$30,000,000 (equivalent to approximately HK\$7,817,793) <i>(Note 1)</i>
Value of actual transactions	NT\$5,255,581 (equivalent to approximately HK\$1,369,568)	NT\$1,112,314 (equivalent to approximately HK\$289,861)
Utilisation rate of existing annual caps	35%	3.7%

Note 1: For the period from 1 January 2020 to 31 December 2020.

Reasons for the downward adjustment of the proposed annual caps

In relation to the downward adjustment of the proposed annual caps for Advertising Service under the ET New Media Supplemental Agreement, the Directors wish to highlight that while they are optimistic and confident that the sales of Taiwan NB's products will remain robust, the outbreak of COVID-19 has posed certain challenges to the business landscape. The disruptions brought about by the outbreak of COVID-19 also mean many of the Company's marketing campaigns need to be cancelled, resulting in an abated driving force for sale. These negative impacts are reflected in the decelerated growth of the sales figures of Taiwan NB from January to August 2020. Further, as disclosed in the 22 July Announcement and will be discussed below, Taiwan NB is currently making inroads into new forms of business activities. The Directors expect that there will likely be obstacles to the promotion of new business campaigns. In this light, the Directors believe that it is appropriate to make a more prudent business forecast and hence the downward adjustment to the proposed annual caps under the ET New Media Supplemental Agreement.

Reasons for the amendment regarding Products Procurement

It is for the same reason that the Directors believe it would be appropriate to not pursue the transactions on Product Procurement proposed under the ET New Media Supplemental Agreement, and channel more resources in support of other agreements with other members of the EMI Group involving product procurements as disclosed in the 22 July Announcement so as to enhance the cost efficiency of the cooperation with the EMI Group as a whole.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the ET New Media Supplemental Agreement (II) have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the ET New Media Supplemental Agreement, as disclosed in the 22 July Announcement; and
- (ii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps for the Advertising Service under the ET New Media Supplemental Agreement (II) are fair and reasonable.

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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, EMI was the single largest ultimate beneficial owner of ET New Media.

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.

B. EASTERN HOME SUPPLEMENTAL AGREEMENT (II)

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Supplemental Agreement (II) with Eastern Home to further amend certain terms under the Amended Eastern Home Agreement.

As disclosed in the Announcement, 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 Amended Eastern Home Agreement constitute continuing connected transactions of the Company.

Major changes

The changes made to the Amended Eastern Home Agreement pursuant to the Eastern Home Supplemental Agreement (II) are summarised below:

- ***Adjustments in proposed annual caps under the Eastern Home Supplemental Agreement (II)***

Pursuant to the terms of the Eastern Home Supplemental Agreement (II), all the proposed annual caps under the Eastern Home Supplemental Agreement shall be adjusted downwards by approximately 30%. The revised proposed annual caps under the Eastern Home Supplemental Agreement (II) are set out as follows:

	From			
	1 January 2020 to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Products Procurement				
Proposed annual caps for Products Procurement under the Eastern Home Supplemental Agreement	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)	NT\$800,000,000 (equivalent to approximately HK\$208,474,488)	NT\$1,200,000,000 (equivalent to approximately HK\$312,711,732)	NT\$1,500,000,000 (equivalent approximately HK\$390,889,665)
Adjusted proposed annual caps for Products Procurement under the Eastern Home Supplemental Agreement(II)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)	NT\$560,000,000 (equivalent to approximately HK\$145,932,142)	NT\$840,000,000 (equivalent to approximately HK\$218,898,212)	NT\$1,050,000,000 (equivalent to approximately HK\$273,622,765)

	From			
	1 January 2020	1 January 2021	1 January 2022	1 January 2023
	to 31 December	to 31 December	to 31 December	to 31 August
	2020	2021	2022	2023
Costs				
Proposed annual caps for	NT\$60,000,000	NT\$96,000,000	NT\$150,000,000	NT\$200,000,000
Costs under the Eastern Home Supplemental Agreement	(equivalent to approximately HK\$15,635,589)	(equivalent to approximately HK\$25,016,939)	(equivalent to approximately HK\$39,088,966)	(equivalent to approximately HK\$52,118,622)
Adjusted proposed annual caps for Costs under the Eastern Home Supplemental Agreement (II)	NT\$42,000,000 (equivalent to approximately HK\$10,944,911)	NT\$67,200,000 (equivalent to approximately HK\$17,511,857)	NT\$105,000,000 (equivalent to approximately HK\$27,362,277)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)
Royalty				
Proposed annual caps for Royalty under the Eastern Home Supplemental Agreement	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)
Adjusted proposed annual caps for Royalty under the Eastern Home Supplemental Agreement(II)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)

- ***Adjustment of the rates for sale commission***

Eastern Home Supplemental Agreement

Taiwan NB shall pay an annual sale commission to Eastern Home as follows:

- (a) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to NT\$300,000,000 to NT\$500,000,000, 10% of the product sales amount;
- (b) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to NT\$500,000,000 to NT\$800,000,000, 15% of the product sales amount exceeding NT\$500,000,000; and
- (c) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to more than NT\$800,000,000, 20% of the product sales amount exceeding NT\$800,000,000.

Eastern Home Supplemental Agreement (II)

Taiwan NB shall pay an annual sale commission to Eastern Home as follows:

- (a) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to NT\$300,000,000 to NT\$500,000,000, 5% of the product sales amount;
- (b) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to NT\$500,000,000 to NT\$800,000,000, 7% of the product sales amount exceeding NT\$500,000,000; and
- (c) if the product sales from Taiwan NB to Eastern Home for Products Procurement in a year amounts to more than NT\$800,000,000, 10% of the product sales amount exceeding NT\$800,000,000.

Save for the amendments above, no further change has been made to the Amended Eastern Home Agreement.

The adjusted proposed annual caps under the Eastern Home Supplemental Agreement (II) as set out above (which will supersede the proposed annual caps under the Eastern Home Supplemental Agreement) and the proposed sale commission arrangements above shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules. For the avoidance of doubt, the term of the Amended Eastern Home Agreement will remain to be extended since the amendment effective date (i.e. the date on which the Company obtains the relevant independent Shareholders' approval) to 31 August 2023.

Downward adjustment of the rates for the sale commission

As disclosed above, the rates for sale commission for each threshold are adjusted downwards pursuant to the Eastern Home Supplemental Agreement (II). The Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) consider that the pricing term of the sale commission remains no less favourable than that offered by Independent Third Parties, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Historical transaction amount

Taiwan NB 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 Expired Eastern Home Consignment Agreement.

Taiwan NB signed the Expired Eastern Home Consignment Agreement with Eastern Home on 22 March 2019, which expired on 31 May 2019, with terms generally similar to the Existing Eastern Home Consignment Agreement.

Taiwan NB signed the Existing Eastern Home Consignment Agreement with Eastern Home on 16 April 2019, which will expire on 31 May 2022. As at 31 August 2020, the aggregate net proceeds (being the sale proceeds from end customers after deduction of commission and costs of sale; the “**Net Proceeds**”) of Taiwan NB under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and Existing Eastern Home Consignment Agreement are NT\$4,121,680 (equivalent to approximately HK\$1,074,081), NT\$21,204,303 (equivalent to approximately HK\$5,525,695) and NT\$274,676,388 (equivalent to approximately HK\$71,578,774) respectively.

The actual Net Proceeds of the transactions contemplated under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and the Existing Eastern Home Consignment Agreement for 2019 and for the period ended 31 August 2020 are set out below:

	1 January 2019 to 31 December 2019	1 January 2020 to 31 August 2020
Existing annual caps	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555) <i>(Note 1)</i>
Value of actual Net Proceeds	NT\$110,272,884 (equivalent to approximately HK\$28,736,354)	NT\$164,403,504 (equivalent to approximately HK\$42,842,420)
Utilisation rate of existing annual caps	55.1%	32.9%

Note 1: For the period from 1 January 2020 to 31 December 2020.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the Eastern Home Supplemental Agreement (II).

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Eastern Home Supplemental Agreement (II) have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Eastern Home Supplemental Agreement, as disclosed in the 22 July Announcement;

- (ii) The letter of undertakings issued by Eastern Home to Taiwan NB dated 23 October 2020 whereby Eastern Home undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, Taiwan NB shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by Taiwan NB, Eastern Home shall first procure the skincare and beauty products from Taiwan NB; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Eastern Home Supplemental Agreement (II) are fair and reasonable.

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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of Eastern Home was EMI.

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. EASTERN GLOBAL SUPPLEMENTAL AGREEMENT (II)

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Global Supplemental Agreement (II) with Eastern Global to further amend certain terms under the Amended Eastern Global Agreement.

As disclosed in the Announcement, the Directors consider that it is appropriate to voluntarily treat Eastern Global 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 Amended Eastern Global Agreement constitute continuing connected transactions of the Company.

Major changes

The changes made to the Amended Eastern Global Agreement pursuant to the Eastern Global Supplemental Agreement (II) are summarised below:

- ***Adjustment in proposed annual caps***

Pursuant to the terms of the Eastern Global Supplemental Agreement (II), the proposed annual caps under the Eastern Global Supplemental Agreement shall be adjusted downwards by approximately 30% as follows:

	From			
	1 January 2020 to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps under Eastern Global Procurement Supplemental Agreement	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)	NT\$1,000,000,000 (equivalent to approximately HK\$260,593,110)	NT\$1,200,000,000 (equivalent to approximately HK\$312,711,732)
Adjusted proposed annual caps under Eastern Global Supplemental Agreement (II)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)	NT\$350,000,000 (equivalent to approximately HK\$91,207,588)	NT\$700,000,000 (equivalent to approximately HK\$182,415,177)	NT\$840,000,000 (equivalent to approximately HK\$218,898,212)

Save for the amendments above, no further change has been made to the Amended Eastern Global Agreement.

The adjusted proposed annual caps under the Eastern Global Supplemental Agreement (II) as set out above (which will supersede the proposed annual caps under the Eastern Global Supplemental Agreement) shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules. For the avoidance of doubt, the term of the Amended Eastern Global Agreement will remain to be extended since the amendment effective date (i.e. the date on which the Company obtains the relevant independent Shareholders' approval) to 31 August 2023.

Historical transaction amount

Taiwan NB signed the Previous Eastern Global Procurement Agreement with Eastern Global on 1 November 2018, which expired on 21 March 2019, with terms similar to the Expired Eastern Global Procurement Agreement.

Taiwan NB signed the Expired Eastern Global Procurement Agreement with Eastern Global on 22 March 2019, which expired on 31 May 2019, with terms generally similar to the Existing Eastern Global Procurement Agreement.

Taiwan NB signed the Existing Eastern Global Procurement Agreement with Eastern Global on 16 April 2019, which will expire on 31 May 2022. As at the date of this announcement, the aggregate amount of purchase made by Eastern Global under the Previous Eastern Global Procurement Agreement, the Expired Eastern Global Procurement Agreement and Existing Eastern Global Procurement Agreement are approximately nil, NT\$4,760,001 (equivalent to approximately HK\$1,240,423) and NT\$103,907,130 (equivalent to approximately HK\$27,077,482) respectively.

The actual transaction values of the transactions contemplated under the Previous Eastern Global Procurement Agreement, the Expired Eastern Global Procurement Agreement and the Existing Eastern Global Procurement Agreement for 2019 and for the period ended 31 August 2020 are set out below:

	1 January 2019 to 31 December 2019	1 January 2020 to 31 August 2020
Existing annual caps	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)	NT\$150,000,000 (equivalent to approximately HK\$39,088,966) <i>(Note 1)</i>
Value of actual transactions	NT\$35,426,320 (equivalent to approximately HK\$9,231,855)	NT\$73,240,811 (equivalent to approximately HK\$19,086,051)
Utilisation rate of existing annual caps	50.6%	48.8%

Note 1: For the period from 1 January 2020 to 31 December 2020.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the Eastern Global Supplemental Agreement (II).

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Eastern Global Supplemental Agreement (II) have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Eastern Global Supplemental Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Eastern Global to Taiwan NB dated 23 October 2020 whereby Eastern Global undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, Taiwan NB shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by Taiwan NB, Eastern Global shall first procure the skincare and beauty products from Taiwan NB; and

- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Eastern Global Supplemental Agreement (II) are fair and reasonable.

Information on the parties

Eastern Global is a company incorporated in Taiwan with limited liability. It is principally engaged in wholesale and retailing of various goods. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of Eastern Global was Mr. Chen Shizhi.

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. ET NEW RETAIL PROCUREMENT SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Retail Procurement Supplemental Agreement with ET New Retail to amend certain terms under the ET New Retail Procurement Agreement.

ET New Retail is a wholly-owned subsidiary of Eastern Home. As disclosed in the section headed "B. Eastern Home Supplemental Agreement (II)" above, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company. As such, the Directors consider that it is also appropriate to voluntarily treat ET New Retail as a connected person of the Company and to comply with Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the ET New Retail Procurement Agreement constitute continuing connected transactions of the Company.

The changes made to the ET New Retail Procurement Agreement pursuant to the ET New Retail Procurement Supplemental Agreement are summarised below:

- ***Adjustments in proposed annual caps on amount of purchase under the ET New Retail Procurement Agreement***

Pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the proposed annual caps on the aggregate amount of purchase payable by ET New Retail under the ET New Retail Procurement Agreement (covering the annual reward) shall be adjusted downwards by approximately 30%. Details of the downward adjustment are set out as follow:

		From the effective date to	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps on the aggregate amount of purchase under the ET New Retail Procurement Agreement	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)		NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$300,000,000 (equivalent to approximately HK\$78,177,933)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)
Adjusted proposed annual caps on the aggregate amount of purchase under the ET New Retail Procurement Supplemental Agreement	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)		NT\$140,000,000 (equivalent to approximately HK\$36,483,035)	NT\$210,000,000 (equivalent to approximately HK\$54,724,553)	NT\$350,000,000 (equivalent to approximately HK\$91,207,588)

- ***Adjustments in proposed annual caps on Royalty under the ET New Retail Procurement Agreement***

Pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the proposed annual caps in respect of the aggregate Royalty under the ET New Retail Procurement Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to	1 January 2021 to 31 December 2020	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps on Royalty under the ET New Retail Procurement Agreement	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)
Adjusted proposed annual caps on Royalty under the ET New Retail Procurement Supplemental Agreement	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

- ***Adjustments in proposed annual caps on Costs under the ET New Retail Procurement Agreement***

Pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the revised proposed annual caps in respect of the aggregate Costs under the ET New Retail Procurement Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to	1 January 2021 to 31 December 2020	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps on the aggregate Costs under the ET New Retail Procurement Agreement	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)
Adjusted proposed annual caps on the aggregate Costs under the ET New Retail Procurement Supplemental Agreement	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

- ***Adjustment of the rates of annual reward***

ET New Retail Procurement Agreement	ET New Retail Procurement Supplemental Agreement
5% of the total purchase by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$100,000,000 (equivalent to approximately HK\$26,059,311);	3% of the total purchase by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$100,000,000 (equivalent to approximately HK\$26,059,311);
10% of the aggregated annual purchase amount that exceeds NT\$100,000,000 to NT\$300,000,000 by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$100,000,000 to NT\$300,000,000 (equivalent to approximately HK\$26,059,311 to HK\$78,177,933); and	5% of the aggregated annual purchase amount that exceeds NT\$100,000,000 to NT\$300,000,000 by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$100,000,000 to NT\$300,000,000 (equivalent to approximately HK\$26,059,311 to HK\$78,177,933); and
15% of the aggregated annual purchase amount that exceeds NT\$300,000,000 by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$300,000,000 (equivalent to approximately HK\$78,177,933) or above	7% of the aggregated annual purchase amount that exceeds NT\$300,000,000 by ET New Retail will be rebated to ET New Retail when the aggregated annual purchase amount reaches NT\$300,000,000 (equivalent to approximately HK\$78,177,933) or above

Save for the amendments above, no further change has been made to the ET New Retail Procurement Agreement.

Downward adjustment of the rates for annual reward

As disclosed above, the rates for annual reward for each threshold are adjusted downwards pursuant to the ET New Retail Procurement Supplemental Agreement. The Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) consider that the pricing term for the annual reward remains no less favourable than that offered by Independent Third Parties, and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the ET New Retail Procurement Supplemental Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the ET New Retail Procurement Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the ET New Retail Supplemental Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by ET New Retail to Taiwan NB dated 23 October 2020 whereby ET New Retail undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, Taiwan NB shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by Taiwan NB, ET New Retail shall first procure the skincare and beauty products from Taiwan NB; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the ET New Retail Procurement Supplemental Agreement are fair and reasonable.

Information on the parties

ET New Retail is a company incorporated in Taiwan with limited liability. It is principally engaged in distribution of goods through e-commerce in Taiwan. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of ET New Retail was EMI.

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. FOCUS MEDIA COOPERATION AND PROCUREMENT SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Focus Media Cooperation and Procurement Supplemental Agreement with Focus Media.

As at the date of this announcement, FESS is a controlling shareholder of the Company, and EMI is the 100% shareholder of FESS. As Focus Media is identified as a related party of EMI under the laws of Taiwan, the Directors consider that it is appropriate to voluntarily treat Focus Media as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly.

The changes made to the Focus Media Cooperation and Procurement Agreement pursuant to the Focus Media Cooperation and Procurement Supplemental Agreement are summarised below:

- ***Adjustments in proposed annual caps in respect of Advertising Service under the Focus Media Cooperation and Procurement Supplemental Agreement***

Pursuant to the terms of the Focus Media Cooperation and Procurement Supplemental Agreement, the proposed annual caps in respect of the fees payable by Taiwan NB to Focus Media under Advertising Service shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follows:

	From the effective date to	1 January 2021 to 31 December 2020	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps in respect of Advertising Service proposed under the Focus Media Cooperation and Procurement Agreement	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)
Adjusted proposed annual caps in respect of Advertising Service under the Focus Media Cooperation and Procurement Supplemental Agreement	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

- ***Adjustments in proposed annual caps in respect of Products Procurement under the Focus Media Cooperation and Procurement Supplemental Agreement***

Pursuant to the terms of the Focus Media Cooperation and Procurement Supplemental Agreement, the proposed annual caps in respect of Products Procurement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follows:

	From the effective date to	1 January 2021 to 31 December 2020	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps in respect of Products Procurement under the Focus Media Cooperation and Procurement Agreement	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)
Adjusted proposed annual caps in respect of Products Procurement under the Focus Media Cooperation and Procurement Supplemental Agreement	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

Save for the downward adjustment of the proposed annual caps as set out above, no further change has been stipulated in the Focus Media Cooperation and Procurement Supplemental Agreement.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the Focus Media Cooperation and Procurement Supplemental Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Focus Media Cooperation and Procurement Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Focus Media Cooperation and Procurement Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Focus Media to Taiwan NB dated 23 October 2020 whereby Focus Media undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, Taiwan NB shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by Taiwan NB, Focus Media shall first procure the skincare and beauty products from Taiwan NB; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Focus Media Cooperation and Procurement Supplemental Agreement are fair and reasonable.

Information on the parties

Focus 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of Focus Media is Mr. Chen Shizhi.

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.

F. EASTERN GLOBAL HK PROCUREMENT SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Eastern Global HK Procurement Supplemental Agreement with Eastern Global HK.

Eastern Global HK is a wholly-owned subsidiary of Eastern Global. As disclosed in the Announcement, the Directors consider that it is appropriate to voluntarily treat Eastern Global as a connected person of the Company. As such, the Directors consider that it is also appropriate to voluntarily treat Eastern Global HK as a connected person of the Company and to comply with Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Eastern Global HK Procurement Agreement constitute continuing connected transactions of the Company.

Pursuant to the terms of the Eastern Global HK Procurement Supplemental Agreement, the annual cap in respect of the aggregate amount of goods to be purchased under the Eastern Global HK Procurement Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps in respect of the aggregate amount of goods to be purchased under the Eastern Global HK Procurement Agreement	HK\$7,500,000	HK\$15,000,000	HK\$25,000,000	HK\$37,500,000
Revised proposed annual caps under the Eastern Global HK Procurement Supplemental Agreement	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000

Save for the downward adjustment of the proposed annual caps as set out above, no further change has be stipulated in the Eastern Global HK Procurement Supplemental Agreement.

Reasons for the downward adjustment of the proposed annual caps

In adjusting the proposed annual caps downwards, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) considered the factors discussed in the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”. With the viral outbreak affecting the economy across the Greater China regions, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) expect NB China to be faced by similar obstacles and hence the downward adjustment of the proposed annual caps under the Eastern Global HK Procurement Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Eastern Global HK Procurement Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Eastern Global HK Procurement Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Eastern Global HK to NB China dated 23 October 2020 whereby Eastern Global HK undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, NB China shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by NB China, Eastern Global HK shall first procure the skincare and beauty products from NB China; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Eastern Global HK Procurement Supplemental Agreement are fair and reasonable.

Information on the parties

Eastern Global HK is a company incorporated in Hong Kong with limited liability. It is principally engaged in wholesale and retailing of various goods. To the best of the Directors' knowledge, information and belief upon reasonable enquiries, as at the date of this announcement date of this announcement, the ultimate beneficial owner of Eastern Global HK is Mr. Chen Shizhi.

NB China is a company incorporated in Hong Kong with limited liability. It is an investment holding company.

G. EASTERN ZHENYU PROCUREMENT SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), NB Shanghai, a wholly-owned subsidiary of the Company, entered into the Eastern Zhenyu Procurement Supplemental Agreement with Eastern Zhenyu.

Eastern Zhenyu is indirect wholly-owned by Mr. Chao Shih Heng, who is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares. As such, Eastern Zhenyu is a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the Eastern Zhenyu Procurement Agreement constitute continuing connected transactions of the Company.

Pursuant to the terms of the Eastern Zhenyu Procurement Supplemental Agreement, the annual caps in respect of the aggregate amount of goods to be purchased under the Eastern Zhenyu Procurement Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps in respect of the aggregate amount of goods to be purchased under the Eastern Zhenyu Procurement Agreement	RMB22,000,000 (equivalent to approximately HK\$24,077,925)	RMB114,000,000 (equivalent to approximately HK\$124,767,429)	RMB182,000,000 (equivalent to approximately HK\$199,190,106)	RMB130,000,000 (equivalent to approximately HK\$142,278,647)
Revised proposed annual caps under the Eastern Zhenyu Procurement Supplemental Agreement	RMB15,400,000 (equivalent to approximately HK\$16,854,547)	RMB79,800,000 (equivalent to approximately HK\$87,337,200)	RMB127,400,000 (equivalent to approximately HK\$139,433,074)	RMB91,000,000 (equivalent to approximately HK\$99,595,053)

Save for the downward adjustments of the proposed annual caps as set out above, no further change has been stipulated in the Eastern Zhenyu Procurement Supplemental Agreement.

Reasons for the downward adjustment of the proposed annual caps

In adjusting the proposed annual caps downwards, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) considered the factors discussed in the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”. With the viral outbreak affecting the economy across the Greater China regions, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) expect NB Shanghai to be faced by similar obstacles and hence the downward adjustment of the proposed annual caps under the Eastern Zhenyu Procurement Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Eastern Zhenyu Procurement Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Eastern Zhenyu Procurement Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Eastern Zhenyu to NB Shanghai dated 23 October 2020 whereby Eastern Zhenyu undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, NB Shanghai shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by NB Shanghai, Eastern Zhenyu shall first procure the skincare and beauty products from NB Shanghai; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Eastern Zhenyu Procurement Supplemental Agreement are fair and reasonable.

Information on the parties

Eastern Zhenyu is a company incorporated in Taiwan with limited liability. It is principally engaged in distribution of goods through e-commerce in Taiwan. To the best of the Directors' knowledge, information and belief upon reasonable enquiries, as at the date of this announcement, the ultimate beneficial owner of Eastern Zhenyu was Mr. Chao Shih Heng.

NB Shangai is a company incorporated in PRC 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.

H. STRAWBERRY PROCUREMENT SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Strawberry Procurement Supplemental Agreement with Strawberry.

As disclosed in the Announcement, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company. As such, the transactions contemplated under the Strawberry Procurement Agreement constitute continuing connected transactions of the Company.

Pursuant to the terms of the Strawberry Procurement Supplemental Agreement, the annual caps in respect of the aggregate amount of goods to be purchased under the Strawberry Procurement Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to	1 January 2021 to	1 January 2022 to	1 January 2023 to
	31 December 2020	31 December 2021	31 December 2022	31 August 2023
Proposed annual caps in respect of the aggregate amount of goods to be purchased under the Strawberry Procurement Agreement	HK\$7,500,000	HK\$15,000,000	HK\$25,000,000	HK\$37,500,000
Revised proposed annual caps under the Strawberry Procurement Supplemental Agreement	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000

Save for the downward adjustment for the proposed annual caps as set out above, no further change has been stipulated in the Strawberry Procurement Supplemental Agreement.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “F. Eastern Global HK Procurement Supplemental Agreement – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the Strawberry Procurement Supplemental Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Strawberry Procurement Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Strawberry Procurement Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Strawberry to NB China dated 23 October 2020 whereby Strawberry undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, NB China shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by NB China, Strawberry shall first procure the skincare and beauty products from NB China; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Strawberry Procurement Supplemental Agreement are fair and reasonable.

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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of Strawberry was EMI.

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.

I. EASTERN HOME FRANCHISE SUPPLEMENTAL AGREEMENT

On 23 October 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Franchise Supplemental Agreement with Eastern Home.

As disclosed in the Announcement, 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 Franchise Agreement constitute continuing connected transactions of the Company.

Pursuant to the terms of the Eastern Home Franchise Supplemental Agreement, the annual caps in respect of the aggregate amount of goods to be purchased under the Eastern Home Franchise Agreement shall be adjusted downwards by approximately 30%. Details of the downward adjustment are as follow:

	From the effective date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 31 August 2023
Proposed annual caps in respect of the aggregate amount of goods to be purchased under the Eastern Home Franchise Agreement	NT\$60,000,000 (equivalent to approximately HK\$15,635,587)	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$350,000,000 (equivalent to approximately HK\$91,207,588)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)
Revised proposed annual caps under the Eastern Home Franchise Supplemental Agreement	NT\$42,000,000 (equivalent to approximately HK\$10,944,911)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)	NT\$245,000,000 (equivalent to approximately HK\$63,845,312)	NT\$350,000,000 (equivalent to approximately HK\$91,207,588)

Save for the downward adjustment for the proposed annual caps as set out above, no further change has been stipulated in the Eastern Home Franchise Supplemental Agreement.

Reasons for the downward adjustment of the proposed annual caps

Please refer to the paragraph headed “A. ET New Media Supplemental Agreement (II) – Reasons for the downward adjustment of the proposed annual caps”, which also explains the downward adjustment of the proposed annual caps pursuant to the Eastern Home Franchise Supplemental Agreement.

Basis of determination of the adjusted proposed annual caps

The adjusted proposed annual caps under the Eastern Home Franchise Supplemental Agreement have been arrived at based on the following factors:

- (i) The factors considered when the proposed annual caps were arrived at in the Eastern Home Franchise Agreement, as disclosed in the 22 July Announcement;
- (ii) The letter of undertakings issued by Eastern Home to Taiwan NB dated 23 October 2020 whereby Eastern Home undertakes to use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for the product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) for products procurement, Taiwan NB shall be the preferred and primary supplier of the skincare and beauty products, meaning that if similar products are offered by other suppliers at not substantially more favourable terms to those offered by Taiwan NB, Eastern Home shall first procure the skincare and beauty products from Taiwan NB; and
- (iii) The factors considered for the downward adjustment of the proposed annual caps as disclosed above.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the Circular) are of the view that the adjusted proposed annual caps under the Eastern Home Franchise Supplemental Agreement are fair and reasonable.

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. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the single largest ultimate beneficial owner of Eastern Home was EMI.

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.

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, aromatherapeutic 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.

LISTING RULES IMPLICATIONS

As disclosed in the 22 July Announcement, the transactions contemplated under each of the Supplemental Agreements and the 2020 CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules; and the transactions contemplated under the Transfer of Spa Business Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the existing annual caps or effect a material change to the terms of its continuing connected transactions, the Company will be required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules.

As disclosed above, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements seek to amend certain terms of the Amended ET New Media Agreement, Amended Eastern Home Agreement, Amended Eastern Global Agreement and the 2020 CCT Agreements, including but not limited to adjustment of the proposed annual caps thereunder.

As disclosed in the 22 July Announcement, since (a) ET New Media, Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK and Eastern Zhenyu and Strawberry 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 Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement were all entered into or completed within a 12-month period or are otherwise related, the Directors consider it is appropriate to aggregate the Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement pursuant to Rule 14A.81 of the Listing Rules.

As a result of the adjustment of the proposed annual caps under the Amended Existing Agreements and the 2020 CCT Agreements, the applicable percentage ratios have been re-calculated based on the adjusted proposed annual caps under the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements.

Based on the re-calculation, the highest applicable percentage ratio in respect of the aggregate of (i) the highest combined annual caps of each of the Supplemental Agreements (as adjusted by the Supplemental Agreements (II)), (ii) the highest combined annual caps of each of the 2020 CCT Agreements (as adjusted by the 2020 CCT Supplemental Agreements), and (iii) the Transfer of Spa Business Agreement, exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreement as applicable) is subject to the reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Dr. Lei Chien, Mr. Pan Yi-Fan, Ms. Lu Yu-Min and Ms. Lin Shu-Hua are Directors nominated by EMI and therefore are considered to have a material interest in the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreement and the transactions contemplated respectively thereunder. As such, each of Dr. Lei Chien, Mr. Pan Yi-Fan, Ms. Lu Yu-Min and Ms. Lin Shu-Hua abstained from voting on the relevant board resolutions approving the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements and the transactions contemplated respectively thereunder. Save as disclosed above, no other directors have or are considered to have a material interest the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements, and the transactions contemplated respectively thereunder, nor are they required to abstain from voting on the relevant board resolutions approving the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements and the transactions contemplated respectively thereunder.

Since the Directors consider that the transactions contemplated under the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements are of a revenue nature 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.

GENERAL

The Company will convene an EGM during which an ordinary resolution will be proposed to the independent Shareholders to approve the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements as applicable) (including the adjusted annual caps, where applicable). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than FESS and Insbro, no other Shareholder will be required to abstain from voting on the resolutions approving the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable), and to advise and make recommendations to the independent Shareholders as to how to vote at the EGM on the resolutions in relation to the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable). No member of the Independent Board Committee has any material interest in the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable).

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 transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable) are fair and reasonable, and whether the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable) 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 transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable).

A circular containing, among others, details of the transactions contemplated under the Supplemental Agreements, the 2020 CCT agreements, Transfer of Spa Business Agreement (as revised by the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreement as applicable), the advice from the Independent Board Committee and the advice from the Independent Financial Adviser to the Independent Board Committee and independent Shareholders, together with the notice convening the EGM, is expected to be despatched to the Shareholders on or before 4 November 2020.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 25 March 2020 and will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement the following expressions shall, unless the context requires otherwise, have the following meanings:

“2020 CCT Supplemental Agreements”	Eastern Global HK Procurement Supplemental Agreement, Eastern New Retail Procurement Supplemental Agreement, Focus Media Cooperation and Procurement Supplemental Agreement, Eastern Zhenyu Procurement Supplemental Agreement, Strawberry Procurement Supplemental Agreement, and Eastern Home Franchise Supplemental Agreement
“22 July Announcement”	the announcement of the Company dated 22 July 2020 in relation to, among other things, (i) the Supplemental Agreements and (ii) the 2020 CCT Agreements
“Amended Eastern Global Agreement”	the Existing Eastern Global Procurement Agreement as amended and supplemented by the Eastern Global Supplemental Agreement
“Amended Eastern Home Agreement”	the Existing Eastern Home Consignment Agreement as amended and supplemented by the Eastern Home Supplemental Agreement
“Amended ET New Media Agreement”	the ET New Media Cooperation Agreement as amended and supplemented by the ET New Media Supplemental Agreement
“Amended Existing Agreement”	the Existing CCT Agreements as amended by the Supplemental Agreements
“Circular”	a circular to be despatched to the Shareholders on or before 4 November 2020 containing, among other things, (i) further details of the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements and (ii) the respective advice of the Independent Financial Adviser and the Independent Board Committee
“Eastern Global HK Procurement Supplemental Agreement”	the supplemental agreement to the Eastern Global HK Procurement Agreement dated 23 October 2020

“Eastern Home Franchise Supplemental Agreement”	the supplemental agreement to the Eastern Home Franchise Agreement dated 23 October 2020
“Eastern Home Supplemental Agreement (II)”	the second supplemental agreement to the Existing Eastern Home Consignment Agreement dated 23 October 2020
“Eastern Global Supplemental Agreement (II)”	the second supplemental agreement to Existing Eastern Global Procurement Agreement dated 23 October 2020
“Eastern New Retail Procurement Supplemental Agreement”	the supplemental agreement to the Eastern New Retail Procurement Agreement dated 23 October 2020
“Eastern Zhenyu Procurement Supplemental Agreement”	the supplemental agreement to the Eastern Zhenyu Procurement Agreement dated 23 October 2020
“ET New Media Supplemental Agreement (II)”	the second supplemental agreement to the Existing ET New Media Cooperation Agreement dated 23 October 2020
“Focus Media Cooperation and Procurement Supplemental Agreement”	the supplemental agreement to the Focus Media Cooperation and Procurement Agreement dated 23 October 2020
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Supplemental Agreements, 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreement (II) and the 2020 CCT Supplemental Agreements and the transactions contemplated thereunder (including the annual caps, where applicable)
“Strawberry Procurement Supplemental Agreement”	the supplemental agreement to the Strawberry Procurement Agreement dated 23 October 2020
“Supplemental Agreements (II)”	the Eastern Home Supplemental Agreement (II), the Eastern Global Supplemental Agreement (II) and ET New Media Supplemental Agreement (II)

By order of the Board
Natural Beauty Bio-Technology Limited
LEI Chien
Chairperson

Hong Kong, 23 October 2020

As at the date of this announcement, the Board comprises Dr. Lei Chien and Mr. Pan Yi-Fan as executive directors; 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.

Unless otherwise indicated, the exchange rates of HK\$1.00 to NT\$3.8374 and HK\$1.00 to RMB\$0.9137 used in this announcement are for illustration purposes only and do not constitute a representation that any amount has been, could have been or may be converted at such or any other rates at all.