
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

NB

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)

**CONTINUING CONNECTED TRANSACTIONS
AND CONNECTED TRANSACTION IN RELATION TO
(I) SUPPLEMENTAL AGREEMENTS TO
CERTAIN EXISTING CCT AGREEMENTS;
(II) 2020 CCT AGREEMENTS;
(III) TRANSFER OF SPA BUSINESS AGREEMENT;
(IV) SUPPLEMENTAL AGREEMENTS (II) TO
CERTAIN EXISTING CCT AGREEMENTS;
(V) 2020 CCT SUPPLEMENTAL AGREEMENTS;
AND
NOTICE OF EGM**

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



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 9 to 57 of this circular and a letter from the Independent Board Committee is set out on pages 58 to 59 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 60 to 112 of this circular.

A notice convening the EGM to be held at the Conference Room, 8/F, 368 Section 1 Fuxing South Road, Da'an District, Taipei, Taiwan on Monday, 16 November 2020 at 2:00 p.m. is set out on pages 128 to 132 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.

30 October 2020

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	58
LETTER FROM PELICAN	60
APPENDIX I – GENERAL INFORMATION	113
APPENDIX II – DETAILS OF AMENDMENTS TO THE EXISTING CCT AGREEMENTS	118
NOTICE OF EGM	128

DEFINITIONS

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:

“2020 CCT Agreements”	Eastern Global HK Procurement Agreement, Eastern New Retail Procurement Agreement, Focus Media Cooperation and Procurement Agreement, Eastern Zhenyu Procurement Agreement, Strawberry Procurement Agreement, and Eastern Home Franchise Agreement
“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; (ii) 2020 CCT Agreements and (iii) the Transfer of Spa Business Agreement
“Amended Eastern Global Agreement”	the Existing Eastern Global Procurement Agreement as amended by the Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreements (II)
“Amended Eastern Home Agreement”	the Existing Eastern Home Consignment Agreement as amended by the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreements (II)
“Amended ET New Media Agreement”	the Existing ET New Media Cooperation Agreement as amended by the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreements (II)
“Amended Existing CCT Agreements”	the Amended Eastern Home Agreement, the Amended ET New Media Agreement and the Amended Eastern Global Agreement
“Announcement”	the announcement of the Company dated 16 April 2019 in relation to, among other things, (i) the Expired CCT Agreements and (ii) the Existing CCT Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company

DEFINITIONS

“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 Global”	Eastern Global Business Co., Ltd. (東森全球事業股份有限公司), formerly known as 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 Global HK”	Eastern Global Business Hong Kong Co., Ltd. (東森全球事業香港股份有限公司), a company incorporated in Hong Kong with limited liability
“Eastern Global HK Procurement Agreement”	the product procurement agreement dated 22 July 2020 entered into between NB China and Eastern Global HK, with a term from the effective date to 31 August 2023
“Eastern Global HK Procurement Supplemental Agreement”	the supplemental agreement to the Eastern Global HK Procurement Agreement dated 23 October 2020
“Eastern Global Supplemental Agreement”	the supplemental agreement to the Existing Eastern Global Procurement Agreement dated 22 July 2020
“Eastern Global Supplemental Agreement (II)”	the second supplemental agreement to the Existing Eastern Global Procurement Agreement dated 23 October 2020
“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 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 Franchise Agreement”	the franchise agreement dated 22 July 2020 entered into between Taiwan NB and Eastern Home, with a term from the effective date to 31 August 2023
“Eastern Home Franchise Supplemental Agreement”	the supplemental agreement to the Eastern Home Franchise Agreement dated 23 October 2020

DEFINITIONS

“Eastern Home Supplemental Agreement”	the supplemental agreement to the Existing Eastern Home Consignment Agreement dated 22 July 2020
“Eastern Home Supplemental Agreement (II)”	the second supplemental agreement to the Existing Eastern Home Consignment Agreement dated 23 October 2020
“Eastern New Retail”	Eastern New Retail Department Store Company Limited (東森新零售百貨股份有限公司), a company incorporated in Taiwan with limited liability
“Eastern New Retail Procurement Agreement”	the product procurement agreement dated 22 July 2020 entered into between Taiwan NB and Eastern New Retail, with a term from the effective date to 31 August 2023
“Eastern New Retail Procurement Supplemental Agreement”	the supplemental agreement to the Eastern New Retail Procurement Agreement dated 23 October 2020
“Eastern Zhenyu”	Eastern Zhenyu e-Commerce Company Limited (東森震宇電子商務有限公司), a company incorporated in China with limited liability
“Eastern Zhenyu Procurement Agreement”	the product procurement agreement dated 22 July 2020 entered into between NB Shanghai and Eastern Zhenyu, with a term from the effective date to 31 August 2023
“Eastern Zhenyu Procurement Supplemental Agreement”	the supplemental agreement to the Eastern Zhenyu 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 Agreements (II), and the 2020 CCT Supplemental Agreements and the transactions contemplated thereunder (including the annual caps, where applicable)
“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 announcement
“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

DEFINITIONS

“ET New Media Supplemental Agreement”	the supplemental agreement to the Existing ET New Media Cooperation Agreement dated 22 July 2020
“ET New Media Supplemental Agreement (II)”	the second supplemental agreement to the Existing ET New Media Cooperation Agreement dated 23 October 2020
“Existing CCT Agreements”	the Existing Eastern Health Procurement Agreement, the Existing Eastern Home Consignment Agreement, the Existing Eastern Global Procurement Agreement, the Existing ET New Media Cooperation Agreement, the Existing Strawberry Service Agreement and the Existing Eastern Home Trademark Licence Agreement
“Existing Eastern Global Procurement Agreement”	the product procurement agreement dated 16 April 2019 entered into between Taiwan NB and Eastern Global with a term from 1 June 2019 to 31 May 2022
“Existing 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
“Existing 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
“Existing Eastern Home Trademark Licence Agreement”	the license agreement dated 16 April 2019 entered into between the Company as licensor and Eastern Home as licensee, with a term from 1 June 2019 to 31 May 2022
“Existing 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
“Existing Strawberry Service Agreement”	the service agreement dated 16 April 2019 entered into between Strawberry and NB China in relation to the provision of marketing and sales of Strawberry products with a term from 1 June 2019 to 31 May 2022
“Expired CCT Agreements”	the Expired Eastern Health Procurement Agreement, the Expired ET New Media Cooperation Agreement, the Expired Eastern Home Consignment Agreement, the Expired Strawberry Service Agreement and the Expired Eastern Global Procurement Agreement

DEFINITIONS

“Expired Eastern Global Procurement Agreement”	the product procurement agreement dated 22 March 2019 entered into between Taiwan NB and Eastern Global (formerly known as Eastern Tenmax), with a term from 22 March 2019 to 31 May 2019
“Expired Eastern Health Procurement Agreement”	the product 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
“Expired 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
“Expired 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
“Expired Strawberry Service Agreement”	the service agreement dated 22 March 2019 entered into between Strawberry and NB China in relation to the provision of marketing and sales of Strawberry products, with a term from 22 March 2019 to 31 May 2019
“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
“Focus Media”	Focus Media Dayear Taiwan Co., Ltd (分眾傳媒股份有限公司), a company incorporated in Taiwan with limited liability
“Focus Media Cooperation and Procurement Agreement”	the project cooperation and procurement agreement dated 22 July 2020 entered into between Taiwan NB and Focus Media, with a term from the effective date to 31 August 2023
“Focus Media Cooperation and Procurement Supplemental Agreement”	the supplemental agreement to the Focus Media Cooperation and Procurement Agreement dated 23 October 2020
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board 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 Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental 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 to advise on the terms of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder
“Independent Third Party”	a third party independent of the Company and connected persons of the Company
“Insbro”	Insbro Holdings Limited (保經控股有限公司), a company incorporated in Hong Kong with limited liability
“Latest Practicable Date”	27 October 2020, 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 Shanghai”	Shanghai Natural Beauty Haili Cosmetics Co., Ltd. (上海自然美海麗化妝品有限公司), a company incorporated in PRC with limited liability
“NT\$”	New Taiwan Dollar(s), the lawful currency of Taiwan
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Previous Eastern Global Procurement Agreement”	the product procurement agreement dated 1 November 2018 entered into between Taiwan NB and Eastern Global 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
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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)
“Spa Business”	Spas currently being operated by the Group in Taiwan and their operating assets and equipment
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Strawberry”	Strawberry Cosmetics (Services) Limited, a company incorporated in Hong Kong with limited liability
“Strawberry Procurement Agreement”	the product procurement agreement dated 22 July 2020 entered into between NB China and Strawberry with a term from the effective date to 31 August 2023
“Strawberry Procurement Supplemental Agreement”	the supplemental agreement to the Strawberry Procurement Agreement dated 23 October 2020
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreements”	the Eastern Home Supplemental Agreement, the Eastern Global Supplemental Agreement and the ET New Media Supplemental Agreement
“Supplemental Agreements (II)”	the Eastern Home Supplemental Agreement (II), the Eastern Global Supplemental Agreement (II) and the ET New Media Supplemental Agreement (II)
“Taiwan”	Republic of China (Taiwan)

DEFINITIONS

“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
“Transfer of Spa Business Agreement”	the transfer of business agreement dated 22 July 2020 entered into between Taiwan NB and Eastern Home in relation to the transfer of Spa Business from Taiwan NB to Eastern Home

Unless otherwise indicated, the exchange rate of HK\$1.00 to NT\$3.8374 and HK\$1.00 to RMB0.9137 used in this circular are 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.

LETTER FROM THE BOARD



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:

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

30 October 2020

To the Shareholders,

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS
AND CONNECTED TRANSACTION IN RELATION TO
(I) SUPPLEMENTAL AGREEMENTS TO
CERTAIN EXISTING CCT AGREEMENTS;
(II) 2020 CCT AGREEMENTS;
(III) TRANSFER OF SPA BUSINESS AGREEMENT;
(IV) SUPPLEMENTAL AGREEMENTS (II) TO
CERTAIN EXISTING CCT AGREEMENTS;
(V) 2020 CCT SUPPLEMENTAL AGREEMENTS;
AND
NOTICE OF EGM**

INTRODUCTION

References are 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, (iii) the circular of the Company dated 17 May 2019 in relation to the

LETTER FROM THE BOARD

Existing CCT Agreements; (iv) the announcement of the Company dated 22 July 2020 in relation to the Supplemental Agreements, 2020 CCT Agreements and Transfer of Spa Business Agreement (the “**22 July Announcement**”); and (v) the announcement of the Company dated 23 October 2020 in relation to the Supplemental Agreements (II) and 2020 CCT Supplemental Agreements.

As disclosed in the Announcement, the Company (through its subsidiaries) entered into the Existing CCT Agreements on 16 April 2019. As the Directors consider that the cooperation between the Group and the EMI Group under the Existing 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 EMI Group by entering into (i) the Supplemental Agreements to certain Existing CCT Agreements and (ii) the 2020 CCT Agreements.

The Directors consider that the proposed disposal of the Spa Business will improve the Group’s asset turnover rate and generate additional cash inflow, and would also enhance the Group’s ability to focus on the franchising business. As such Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Transfer of Spa Business Agreement with Eastern Home.

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 the proposed annual caps under the Supplemental Agreements and the 2020 CCT Agreements will be adjusted downwards by approximately 30%. A detailed comparison between the major terms of the relevant Existing CCT Agreements, the Supplemental Agreements, and the Supplemental Agreements (II) is set out in Appendix II “Details of Amendments to the Existing CCT Agreements” in the circular.

Pursuant to the requirements under the Listing Rules, the Company will seek the independent Shareholders’ approval in relation to the transactions contemplated under the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, and the respective annual caps (where applicable) thereunder.

The purpose of this circular is to provide you with (i) a letter from the Board containing further details of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements; (ii) a letter from the Independent Board Committee to the independent Shareholders giving its recommendations in respect of the terms of the Supplemental Agreements, the 2020 CCT agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the respective annual caps (where applicable) thereunder; (iii) a letter from Pelican to the Independent Board Committee and the independent Shareholders containing its advice in respect of the terms of the Supplemental Agreements, the 2020 CCT agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the respective annual caps (where applicable) thereunder; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

A. ET NEW MEDIA SUPPLEMENTAL AGREEMENT AND ET NEW MEDIA SUPPLEMENTAL AGREEMENT (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Media Supplemental Agreement with ET New Media to amend the Existing ET New Media Cooperation Agreement.

On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Media Supplemental Agreement (II) with ET New Media to further amend the Existing ET New Media Cooperation Agreement. For the avoidance of doubt, the Existing ET New Media Cooperation Agreement as amended by the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) (“**Amended ET New Media Agreement**”) is one single contract.

As of the Latest Practicable Date, 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. As such, the transactions contemplated under the Amended ET New Media Agreement constitute continuing connected transactions of the Company.

The major terms of the Amended ET New Media Agreement are summarised as follows:

Parties

- (i) Taiwan NB; and
- (ii) ET New Media

Advertising Service

Taiwan NB agrees to engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhancing the image of the “Natural Beauty” brand and to raise public awareness on the brand (“**Advertising Service**”).

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.

Pricing of Advertising Service

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 offer to its clients which are Independent Third Parties).

LETTER FROM THE BOARD

The changes made to the Existing ET New Media Cooperation Agreement pursuant to the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) would only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules, upon which the term of the Amended ET New Media Agreement will be extended to 31 August 2023.

For a detailed comparison between the major term of the Existing ET New Media Cooperation Agreement, the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II), please refer to the paragraphs headed "1. Amended ET New Media Agreement" in Appendix II "Details of Amendments to the Existing CCT Agreements" in this circular.

Basis of determination of pricing term

The pricing term of the Advertising Service under the Amended ET New Media Agreement remains unchanged as compared to the Existing ET New Media Cooperation Agreement. As disclosed in the circular of the Company dated 17 May 2019, the parties to the Existing ET New Media Agreement determined the pricing term thereunder based on their intention to minimise the advertising costs for Taiwan NB while remaining 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 (including the independent non-executive Directors) to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 (unless extended) expire on 31 May 2022. As at 31 August 2020, the aggregate fees relating to Advertising Service paid or payable by Taiwan NB under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement 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.

LETTER FROM THE BOARD

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	35.0%	3.7%

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

Proposed annual caps

The fees payable by Taiwan NB to ET New Media under the Amended ET New Media Agreement shall be subject to the following proposed annual caps:

	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	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)

The above proposed annual caps have been arrived at based on the following factors:

- (i) the historical transaction amount relating to fees for the Advertising Service paid or payable by Taiwan NB under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement;
- (ii) the marketing plan and campaigns of Taiwan NB for the same periods, in which Taiwan NB would launch a new product line and deploy new advertising projects (e.g. engaging key opinion leaders (“KOL”) to interact with local consumers on social media platforms through ET New Media, together with other content and experimental marketing strategies through the channels of ET New Media), which would necessitate additional advertising expenses;

LETTER FROM THE BOARD

- (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media for the same periods; and
- (iv) the impacts of the outbreak of COVID-19 on the proposed marketing plan and campaigns of Taiwan NB.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps are fair and reasonable.

Reasons for the amendment regarding Products Procurement

It was announced in the 22 July Announcement that ET New Media would procure from Taiwan NB, and Taiwan NB would supply and sell to ET New Media, Taiwan NB's products under the ET New Media Supplemental Agreement ("**Products Procurement**").

As the outbreak of COVID-19 has posed certain challenges to the business landscape, the Directors believe it would be appropriate not to pursue the transactions on Products 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 this circular so as to enhance the cost efficiency of the cooperation with the EMI Group as a whole.

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 Latest Practicable Date, 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 AND EASTERN HOME SUPPLEMENTAL AGREEMENT (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Supplemental Agreement with Eastern Home to amend the Existing Eastern Home Consignment Agreement.

On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Supplemental Agreement (II) with Eastern Home to further amend the Existing Eastern Home Consignment Agreement. For the avoidance of doubt, the Existing Eastern Home Consignment Agreement as amended by the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II) (the "**Amended Eastern Home Agreement**") is one single contract.

LETTER FROM THE BOARD

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 thereof.

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 Supplemental Agreement and the Eastern Home Supplemental Agreement (II) were entered into within a short period of time as the other transactions disclosed in this 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 Amended Eastern Home Agreement constitute continuing connected transactions of the Company.

Major terms of the Amended Eastern Home Agreement, are summarised below:

Parties

- (i) Taiwan NB; and
- (ii) Eastern Home

Products Procurement

Taiwan NB will engage Eastern Home to sell certain products manufactured, distributed or sold by Taiwan NB (the “**Target Products**”) which are selected by Eastern Home as target products (the “**Products Procurement**”).

Taiwan NB shall authorise Eastern Home to sell the Target Products to end customers and to use related promotional materials for such purpose.

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.

Pricing of Products Procurement

The price of the Target Products sold by Taiwan NB to Eastern Home shall be at 50% to 70% discount to their retail price, or 80% to 90% discount to their retail price if they are test products, sales-only products or near expiry products.

LETTER FROM THE BOARD

Sale Commission

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.

Costs

Taiwan NB shall be responsible for the costs in relation to the sale of Product Procurements to end customers, including the costs associated with the marketing, transportation and programme production (the “**Costs**”).

Trademark licence

Eastern Home shall pay Taiwan NB a royalty for licence to use the Trademarks (the “**Royalty**”).

Pricing of Trademark licence

The Royalty is calculated at 3-10% of the selling price (before tax; and after deduction of any discount) from the sale of mutually agreed products.

The changes made to the Existing Eastern Home Consignment Agreement pursuant to the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II) would only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules, upon which the terms of the Amended Eastern Home Agreement will be extended to 31 August 2023.

For a detailed comparison between the major terms of the Existing Eastern Home Consignment Agreement, the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II), please refer to the paragraphs headed “2. Amended Eastern Home Agreement” in Appendix II “Details of Amendments to the Existing CCT Agreements” in this circular.

LETTER FROM THE BOARD

Basis of determination of pricing term

In terms of the pricing term of the Products Procurement, the parties to the Amended Eastern Home Agreement determined the pricing term thereunder based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the Amended Eastern Home Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Products Procurement under the Amended Eastern Home Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing of the Royalty, the parties to the Amended Eastern Home 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 (including the independent non-executive Directors) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Royalty under the Amended Eastern Home Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing of the Sale Commission, the parties to the Amended Eastern Home Agreement determined the rate of the Sale Commission based on the market level of sale commission under similar products procurement agreements. Since the rate of sale commission is in line with the said market level, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Sale Commission under the Amended Eastern Home Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing of the Costs, the parties to the Amended Eastern Home Agreement agreed a list of business expenses to be included as part of the Costs and the pricing of each business expense. The pricing of each of the business expenses is based on the market level of cost associated with similar products procurement agreements. Since the pricing of each of the business expenses is in line with the said market level, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Costs under the Amended Eastern Home Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

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 (unless extended) expire on 31 May 2022. As at 31 August 2020, the aggregate Net Proceeds (as defined below) of Taiwan NB under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and the 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 Existing Eastern Home Consignment Agreement for 2019 and for the period ended 31 August 2020 are set out below:

	1 June 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.

Annual caps

The annual caps under the Existing Eastern Home Consignment Agreement were determined based on net proceeds of sale of Target Products to end customers from Eastern Home (i.e. sale proceeds from end customers after deduction of commission and costs of sales) (“**Net Proceeds**”).

LETTER FROM THE BOARD

Pursuant to the terms of the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II), the annual caps in respect of Products Procurement (covering the Sale Commission) will be determined based on the sales amount that Eastern Home would pay to Taiwan NB when Eastern Home made the purchase.

Such annual caps in relation to Products Procurement, and annual caps relating to the aggregate Costs payable by Taiwan NB and the aggregate Royalty payable by Eastern Home under the Amended Eastern Home Agreement are set out as follows:

	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 December 2023
Proposed annual caps for the Net Proceeds	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)
Proposed annual caps for the Costs	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)
Proposed annual caps for the Royalty	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)

The above proposed annual caps for Products Procurement, Costs and Royalty have been arrived at based on the following factors:

- (i) the historical transaction amount in respect of the Net Proceeds under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and the Existing Eastern Home Consignment Agreement respectively;
- (ii) the projected sale of Target Products and the sale of products that are subject to the Royalty under the Eastern Home Supplemental Agreement;
- (iii) the projected amount of costs based on the projected sale of Target Products;
- (iv) 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 market and operation conditions, the annual transaction amount for products procurement and trademark licence 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 than those offered by Taiwan NB, Eastern Home shall first procure the skincare and beauty products from Taiwan NB;

LETTER FROM THE BOARD

- (v) the impacts of the outbreak of COVID-19 on the business landscape; and
- (vi) the plan of Taiwan NB to launch several new products to the market, which is expected to result in a substantial increase in (a) the volume and turnover of products to be procured by Eastern Home from Taiwan NB under the Amended Eastern Home Agreement and (b) the costs to be incurred by Eastern Home in relation to the sale of Taiwan NB's products to end customers.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps 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 Latest Practicable Date, 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 AND THE EASTERN GLOBAL SUPPLEMENTAL AGREEMENT (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Global Supplemental Agreement with Eastern Global to amend the Existing Eastern Global Procurement Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Global Supplemental Agreement (II) with Eastern Global to further amend the Existing Eastern Global Procurement Agreement. For the avoidance of doubt, the Existing Eastern Global Procurement Agreement as amended by the Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II) (the "**Amended Eastern Global Agreement**") is one single contract.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Eastern Global and its ultimate beneficial owners was an Independent Third Party. However, given that (a) one member of the board of directors of Eastern Global, 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 Eastern Global Supplemental Agreement and Eastern Global Supplemental Agreement (II) were entered into within a short period of time as the other transactions disclosed in this circular, 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.

LETTER FROM THE BOARD

The major terms of the Amended Eastern Global Agreement are summarised as follows:

Parties

- (i) Taiwan NB; and
- (ii) Eastern Global

Nature of transactions

Eastern Global 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 Global at 60%-70% discount to relevant retail price for on-sale by Eastern Global.

The changes made to the Existing Eastern Global Procurement Agreement pursuant to the Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II) shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules, upon which the terms of the Amended Eastern Global Agreement will be extended to 31 August 2023.

For a detailed comparison between the major terms of the Existing Eastern Global Procurement Agreement, the Eastern Global Supplement Agreement and the Eastern Global Supplemental Agreement (II) (including the annual caps), please refer to the paragraphs headed "3. Amended Eastern Global Agreement" in Appendix II "Details of Amendments to the Existing CCT Agreements" in this circular.

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 unless extended expire on 31 May 2022. As at 31 August 2020, 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.

LETTER FROM THE BOARD

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.

Proposed annual cap

The aggregate amount of purchase to be made by Eastern Global under the Amended Eastern Global Agreement shall be subject to the following proposed annual caps:

	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	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)

LETTER FROM THE BOARD

The above proposed annual caps have been arrived at based on the following factors:

- (i) the historical amount of purchase made by Eastern Global under the Previous Eastern Global Procurement Agreement, the Expired Eastern Global Procurement Agreement and the Existing Eastern Global Procurement Agreement respectively;
- (ii) the projected amount of purchase to be made by Eastern Global under the Amended Eastern Global Agreement;
- (iii) the changes in the price of the products to be purchased;
- (iv) 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 aggregated annual transaction amount for product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (ii) 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;
- (v) the impacts of the outbreak of COVID-19 on the business landscape; and
- (vi) the plan of Taiwan NB to launch several new products to the market, which is expected to result in a substantial increase in the volume and turnover of the wholesale purchase of Taiwan NB's products by Eastern Global.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

D. ET NEW RETAIL PROCUREMENT AGREEMENT AND ET NEW RETAIL PROCUREMENT SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Retail Procurement Agreement with ET New Retail.

On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Retail Procurement Supplemental Agreement with ET New Retail to amend certain terms of 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 and 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 as amended by Eastern New Retail Procurement Supplemental Agreement constitute continuing connected transactions of the Company.

Major terms of the ET New Retail Procurement Agreement and the changes made pursuant to the ET New Retail Procurement Supplemental Agreement are summarised below:

	ET New Retail Procurement Agreement	ET New Retail Procurement Supplemental Agreement
Date	22 July 2020	23 October 2020
Parties	(i) Taiwan NB; and (ii) ET New Retail	(i) Taiwan NB; and (ii) ET New Retail
Product Procurements	Taiwan NB will engage ET New Retail to sell certain products (the “ Target Products ”) supplied by Taiwan NB (the “ Products Procurement ”). Taiwan NB shall authorise ET New Retail to sell the Target Products to end customers and to use related promotional materials for such purpose. ET New Retail shall be responsible for marketing and selling the Target Products to end customers through its own distribution channels or third party distribution channels.	No change.

LETTER FROM THE BOARD

	ET New Retail Procurement Agreement	ET New Retail Procurement Supplemental Agreement
Pricing of Products Procurement	At 50%–70% discount to the relevant market retail price	No change.
Costs of Products Procurement	Taiwan NB shall be responsible for the costs associated with the marketing, transportation and programme production (“ Costs ”) incurred by ET New Retail relating to the procurement and sale of Target Products.	No change.
Annual Reward – Products Procurement	<p>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);</p> <p>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</p> <p>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.</p>	<p>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);</p> <p>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</p> <p>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.</p>
Trademark Licence	Taiwan NB agrees to grant ET New Retail a non-exclusive licence to use the Trademarks (“ Trademark Licence ”).	No change.

LETTER FROM THE BOARD

	ET New Retail Procurement Agreement	ET New Retail Procurement Supplemental Agreement
Pricing of Trademark Licence	ET New Retail shall pay Taiwan NB a royalty fee (“ Royalty ”) at 3-10% of the selling price (before tax; and after deduction of any discount) from the sale of mutually agreed products to the end customers.	No change.
Condition	The ET New Retail Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.	The ET New Retail Procurement Supplemental Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.
Term	From effective date to 31 August 2023.	No change.

Basis of determination of pricing term

In terms of the pricing term of the Products Procurement, the parties to the ET New Retail Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the ET New Retail Procurement Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Products Procurement under the ET New Retail Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing term of the Trademark Licence, the parties to the ET New Retail Procurement 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 (including the independent non-executive Directors) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term under the ET New Retail Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing of the annual reward, the parties to the ET New Retail Procurement Agreement as amended by ET New Retail Supplement Agreement, determined the rate of the annual reward based on the market level of annual reward under similar products procurement agreements. Since the rate of annual reward is in line with the said market level, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the annual reward under the ET New Retail Procurement Agreement and ET New Retail Supplement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

In terms of the pricing of the Costs, the parties to the ET New Retail Procurement Agreement agreed a list of business expenses and the pricing of each business expense. The pricing of each cost item is based on the market level of cost associated with similar products procurement agreements. Since the pricing of the cost is in line with the said market level, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term of the Costs under the ET New Retail Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Proposed annual caps on amount of purchase

Under the ET New Retail Procurement Agreement, the parties agreed to 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). Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps are set out 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 on the aggregate amount of purchase under the ET New Retail Procurement Agreement	NT100,000,000 (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)
Revised 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)

The transactions contemplated under the ET New Retail Procurement Agreement (as amended by the ET New Retail Procurement Supplemental Agreement) are new cooperation between Taiwan NB and ET New Retail, as such no historical transaction amount is available.

The revised proposed annual caps have been arrived at based on:

- (a) the projected sale of Target Products under the ET New Retail Procurement Agreement;

LETTER FROM THE BOARD

- (b) 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 is targeted to reach not less than 70% of the adjusted annual caps; and (ii) 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
- (c) the impacts of the outbreak of COVID-19 on the business landscape.

Having considered the projected sale of Target Products under the ET New Retail Procurement Agreement, the Directors (including the independent non-executive Directors) consider that the above revised proposed annual caps are fair and reasonable.

Proposed annual caps on Royalty

Under the ET New Retail Procurement Agreement, the parties agreed to proposed annual caps in respect of the aggregate Royalty. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps 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 on the aggregate 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)
Revised proposed annual caps on the aggregate Royalty under the ET New Retail Procurement 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)

The revised proposed annual caps have been arrived at based on the projected sale of mutually agreed products under the ET New Retail Procurement Agreement, and the impacts of the outbreak of COVID-19 on the business landscape. Having considered the projected sale of mutually agreed products under the ET New Retail Procurement Agreement, the Directors (including the independent non-executive Directors) consider that the above revised proposed annual caps are fair and reasonable.

LETTER FROM THE BOARD

Proposed annual caps on Costs

Under the ET New Retail Procurement Agreement, the parties agreed to proposed annual caps in respect of the aggregate Costs. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by 30%. Details of the proposed annual caps are as follow:

	From the amendment 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 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)
Revised proposed annual caps on the aggregate Costs under the ET New Retail Procurement 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)

The above revised proposed annual caps have been arrived at based on the following factors:

- (i) the projected sale of Target Products under the ET New Retail Procurement Agreement;
- (ii) the projected Costs in relation to the sale of Target Products under the ET New Retail Procurement Agreement; and
- (iii) the impacts of the outbreak of COVID-19 on the business landscape.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the above revised proposed annual caps 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

E. FOCUS MEDIA COOPERATION AND PROCUREMENT AGREEMENT AND FOCUS MEDIA COOPERATION AND PROCUREMENT SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Focus Media Cooperation and Procurement Agreement with Focus Media.

On 23 October 2020 (after trading hours), Taiwan NB entered into the Focus Media Cooperation and Procurement Supplemental Agreement with Focus Media to adjust the proposed annual caps under the Focus Media Cooperation and Procurement Agreement.

As of the Latest Practicable Date, FESS was a controlling shareholder of the Company, and EMI was 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 major terms of the Focus Media Cooperation and Procurement Agreement are as follows:

Date	22 July 2020
Parties	(i) Taiwan NB; and (ii) Focus Media
Advertising Service	Taiwan NB agrees to engage Focus Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhancing the image of the “Natural Beauty” brand and to raise public awareness on the brand (“ Advertising Service ”). Taiwan NB may from time to time instruct Focus 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.
Pricing of Advertising Service	For each advertising project, Focus Media shall offer at least 50% discount to the list price of such project (being prices Focus Media offer to its clients which are Independent Third Parties).
Products Procurement	Taiwan NB shall supply and sell Taiwan NB’s products (“ Target Products ”) to Focus Media (“ Products Procurement ”). Taiwan NB shall authorise Focus Media to sell the Target Products to end customers and to use related promotional materials for such purpose.

LETTER FROM THE BOARD

Focus Media shall be responsible for marketing and selling the Target Products to end customers through its own distribution channels or third party distribution channels.

Pricing of Products Procurement 50%–70% discount to the Target Products' retail price.

Condition The Focus Media Cooperation and Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.

Term From effective date to 31 August 2023.

Basis of determination of pricing term

In terms of the pricing term of the Advertising Service, the parties to the Focus Media Cooperation and Procurement 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 Focus 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 (including the independent non-executive Directors) to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In terms of the pricing of the Products Procurement, the parties to the Focus Media Cooperation and Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the Focus Media Cooperation and Procurement Agreement is in line with the said market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term in relation to the Products Procurement under the Focus Media Cooperation and Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps

Under the Focus Media Cooperation and Procurement Agreement, the parties agreed to proposed annual caps in respect of fees payable by Taiwan NB to Focus Media under Advertising Service and the annual caps in respect of the amount of product sales by Taiwan NB to Focus Media under Products Procurement. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Focus Media Cooperation and Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps are as follows:

	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 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)
Revised 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)
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)
Revised 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.

The transactions contemplated under the Focus Media Cooperation Procurement Agreement (as amended by the Focus Media Cooperation Procurement Supplemental Agreement) are new cooperation between Taiwan NB and Focus Media, as such no historical transaction amount is available.

LETTER FROM THE BOARD

The revised proposed annual caps have been arrived at based on the following factors:

- (i) the marketing plan and campaigns of Taiwan NB for the same periods, in which Taiwan NB would launch a new product line and deploy new advertising projects (e.g. engaging KOLs to interact with local consumers on social media platforms through Focus Media, together with other content and experimental marketing strategies through the channels of Focus Media);
- (ii) the advertising volume that Taiwan NB is expected to purchase from Focus Media during the term of the Focus Media Cooperation and Procurement Agreement;
- (iii) the projected sale of Taiwan NB products;
- (iv) 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 product procurement is 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
- (v) the impacts of the outbreak of COVID-19 on the business landscape.

Having considered the abovementioned factors, the Directors (including independent non-executive Directors) are of the view that the above revised proposed annual caps 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 Latest Practicable Date, the single largest ultimate beneficial owner of Focus Media 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.

F. EASTERN GLOBAL HK PROCUREMENT AGREEMENT AND EASTERN GLOBAL HK PROCUREMENT SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Eastern Global HK Procurement Agreement with Eastern Global HK.

LETTER FROM THE BOARD

On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Global HK Procurement Supplemental Agreement with Eastern Global HK to amend certain terms of the Eastern Global HK Procurement Agreement.

Eastern Global HK is a wholly-owned subsidiary of Eastern Global. As disclosed in the section headed “C. Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II)” above, 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 as amended by Eastern Global HK Procurement Agreement constitute continuing connected transactions of the Company.

The major terms of the Eastern Global HK Procurement Agreement are as follows:

Date	22 July 2020
Parties	(i) NB China; and (ii) Eastern Global HK
Nature of transactions	During the term of the Eastern Global HK Procurement Agreement, Eastern Global HK may from time to time make wholesale purchase of products from NB China such as food and cosmetic products for on-sale to end customers.
Pricing	At 50% to 70% discount to the relevant market retailing price.
Condition	The Eastern Global HK Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.
Term	From effective date to 31 August 2023.

Basis of determination of pricing term

The parties to the Eastern Global HK Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the Eastern Global HK Procurement Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term under the Eastern Global HK Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps

Under the Eastern Global HK Procurement Agreement, the parties agreed to proposed annual caps in respect of the aggregate amount of goods to be purchased. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Global HK Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps 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 been stipulated in the Eastern Global HK Procurement Supplemental Agreement.

The transactions contemplated under the Eastern Global HK Procurement Agreement (as amended by the Eastern Global HK Procurement Supplemental Agreement) are new cooperation between NB China and Eastern Global HK, as such no historical transaction amount is available.

The annual cap has been arrived at based on:

- (i) the projected purchase amount of goods under the Eastern Global HK Procurement Agreement;
- (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 is targeted to reach not less than 70% of the adjusted annual caps; and (ii) 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 impacts of the outbreak of COVID-19 on the business landscape.

LETTER FROM THE BOARD

Having considered the projected purchase amount of goods under the Eastern Global HK Procurement Agreement which is projected based on the 5-year business plans of Eastern Global HK, the Directors (including the independent non-executive Directors) are of the view that the above revised proposed annual caps 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 having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owner of Eastern Global HK was 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 AGREEMENT AND EASTERN ZHENYU PROCUREMENT SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), NB Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Zhenyu Procurement Agreement with Eastern Zhenyu.

On 23 October 2020 (after trading hours), NB Shanghai entered into the Eastern Zhenyu Procurement Supplemental Agreement with Eastern Zhenyu to amend certain terms of the Eastern Zhenyu Procurement Agreement.

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 as amended by Eastern Zhenyu Procurement Supplemental Agreement constitute continuing connected transactions of the Company.

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

Date	22 July 2020
Parties	(i) NB Shanghai; and (ii) Eastern Zhenyu
Nature of transactions	During the term of the Eastern Zhenyu Procurement Agreement, Eastern Zhenyu may from time to time make wholesale purchase of products from NB Shanghai such as food and cosmetic products for on-sale to end customers.
Pricing	At 50% to 70% discount to the relevant market retail price.

LETTER FROM THE BOARD

Condition The Eastern Zhenyu Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.

Term From effective date to 31 August 2023.

Basis of determination of pricing term

The parties to the Eastern Zhenyu Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the Eastern Zhenyu Procurement Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term under the Eastern Zhenyu Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Proposed annual caps

Under the Eastern Zhenyu Procurement Agreement, the parties agreed to proposed annual caps in respect of the aggregate amount of goods to be purchased. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Zhenyu Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downward by approximately 30%. Details of the annual caps 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.

LETTER FROM THE BOARD

The transactions contemplated under the Eastern Zhenyu Procurement Agreement (as amended by the Eastern Zhenyu Procurement Supplemental Agreement) are new cooperation between NB Shanghai and Eastern Zhenyu, as such no historical transaction amount is available.

The annual caps have been arrived at based on:

- (i) the projected purchase amount of goods under the Eastern Zhenyu Procurement Agreement;
- (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 is targeted to reach not less than 70% of the adjusted annual caps; and (ii) 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 impacts of the outbreak of COVID-19 on the business landscape.

Having considered the projected purchase amount of goods under the Eastern Zhenyu Procurement Agreement which is projected based on the 5-year business plans of Eastern Zhenyu, the Directors (including the independent non-executive Directors) consider that the above revised proposed annual caps are fair and reasonable.

Information on the parties

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

NB Shanghai is a company incorporated in PRC with limited liability. It is principally engaged in sale of skin care and beauty products.

H. STRAWBERRY PROCUREMENT AGREEMENT AND STRAWBERRY PROCUREMENT SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Strawberry Procurement Agreement with Strawberry.

On 23 October 2020 (after trading hours), NB China entered into the Strawberry Procurement Supplemental Agreement with Strawberry to amend certain terms of the Strawberry Procurement Agreement.

LETTER FROM THE BOARD

As disclosed in the section headed “B. Eastern Home Supplemental Agreement and Eastern Home Supplemental Agreement (II)” above, the Directors voluntarily treat Eastern Home as a connected person of the Company. Since (a) Strawberry is a direct non-wholly owned subsidiary of Eastern Home owned directly as to 76% of its shareholding by Eastern Home and (b) the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement entered into within a short period of time as the other transactions disclosed in this circular, the Directors consider that it is also appropriate to voluntarily treat Strawberry as a connected person of the Company. As such, the transactions contemplated under the Strawberry Procurement Agreement as amended by Strawberry Procurement Supplemental Agreement constitute continuing connected transactions of the Company.

The major terms of the Strawberry Procurement Agreement are as follows:

Date	22 July 2020
Parties	(i) NB China; and (ii) Strawberry
Nature of transactions	During the term of the Strawberry Procurement Agreement, Strawberry may from time to time make wholesale purchase of products from NB China such as food and cosmetic products for on-sale to end customers.
Pricing	At 50% to 70% discount to the relevant market retailing price.
Condition	The Strawberry Procurement Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.
Term	From effective date to 31 August 2023.

Basis of determination of pricing term

The parties to the Strawberry Procurement Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. Since the pricing under the Strawberry Procurement Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term under the Strawberry Procurement Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps

Under the Strawberry Procurement Agreement, the parties agreed on the proposed annual caps in respect of the aggregate amount of goods to be purchased. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Strawberry Procurement Supplemental Agreement, the parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps are as follows:

	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 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.

Basis of determination of the annual caps

The transactions contemplated under the Strawberry Procurement Agreement (as amended by the Strawberry Procurement Supplemental Agreement) are new transactions, as such no historical transaction amount is available.

The proposed revised annual caps have been arrived at based on the following factors:

- i. projected purchase amount of goods under the Strawberry Procurement Agreement;
- ii. the letter of undertaking 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 under the Strawberry Procurement Agreement is targeted to reach not less than 70% of the adjusted annual caps; and (ii) 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 impacts of the outbreak of COVID-19 on the business landscape.

LETTER FROM THE BOARD

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the above revised proposed annual caps 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 Latest Practicable Date, 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 AGREEMENT AND EASTERN HOME FRANCHISE SUPPLEMENTAL AGREEMENT

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Franchise Agreement with Eastern Home.

On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Franchise Supplemental Agreement with Eastern Home to amend certain terms of the Eastern Home Franchise Agreement.

As disclosed in the section headed "B. Eastern Home Supplemental Agreement and 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 and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the Eastern Home Franchise Agreement as amended by Eastern Home Franchise Supplemental Agreement constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

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

Date	22 July 2020
Parties	(i) Taiwan NB; and (ii) Eastern Home
Nature of transactions	Taiwan NB agreed to grant Eastern Home a non-exclusive licence to use certain Trademarks in respect of certain skin care products and provide Eastern Home with consultancy services in connection with Eastern Home's operation and management of spa business under the brand name "Natural Beauty". Eastern Home may from time to time make wholesale purchase of Taiwan NB products, and Taiwan NB shall sell such products to Eastern Home at certain discount to relevant retail price for on-sale by Eastern Home.
Pricing	Same pricing with other franchisees, which varies from time to time ranging from 50% to 70% discount to the relevant market retailing price.
Condition	The Eastern Home Franchise Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.
Term	From effective date to 31 August 2023.

Basis of determination of pricing term

The parties to the Eastern Home Franchise Agreement determined the pricing term thereunder (as disclosed above) based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Party franchisees. Since the pricing under the Eastern Home Franchise Agreement is in line with the said wholesale market prices, the Directors (including the independent non-executive Directors) consider that it is no more favourable than that offered to Independent Third Parties. As such, the Directors (including the independent non-executive Directors) consider the pricing term under the Eastern Home Franchise Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps

Under the Eastern Home Franchise Agreement, the parties agreed to proposed annual caps in respect of the aggregate amount of goods to be purchased. Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Home Franchise Supplemental Agreement, parties agreed to adjust such proposed annual caps downwards by approximately 30%. Details of the proposed annual caps 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 (approximately HK\$15,635,587)	NT\$200,000,000 (equivalent to 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 (approximately HK\$10,944,911)	NT\$140,000,000 (approximately HK\$36,483,035)	NT\$245,000,000 (approximately HK\$63,845,312)	NT\$350,000,000 (approximately HK\$91,207,588)

The transactions contemplated under the Eastern Home Franchise Agreement (as amended by the Eastern Home Franchise Supplemental Agreement) are new transactions, as such no historical transaction amount is available.

The revised proposed annual caps have been arrived at based on;

- i. the projected purchase amount of goods under the Eastern Home Franchise Agreement;
- ii. the letter of undertakings issued by Eastern Home to Taiwan NB dated 23 October 2020 whereby Eastern Home would use commercially reasonable endeavours to ensure that (i) subject to the market and operation conditions, the annual transaction amount for product procurement and trademark licence 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 impacts of the outbreak of COVID-19 on the business landscape.

Having considered the projected purchase amount of goods under the Eastern Home Franchise Agreement which is projected based on the 5-year business plans of Eastern Home, the Directors considered the above revised proposed annual caps are fair and reasonable.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

J. TRANSFER OF SPA BUSINESS AGREEMENT

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Transfer of Spa Business Agreement with Eastern Home.

As disclosed in the section headed "B. Eastern Home Supplemental Agreement and 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 transactions contemplated under the Transfer of Spa Business Agreement constitute a connected transaction of the Company.

The major terms of the Transfer of Spa Business Agreement are as follows:

Date	22 July 2020
Parties	(i) Taiwan NB; and (ii) Eastern Home
Nature of transactions	Taiwan NB agreed to sell, and Eastern Home agreed to purchase the Spa Business.
Consideration	NT\$37,436,889 (excluding tax) (equivalent to approximately HK\$9,755,795).

LETTER FROM THE BOARD

Payment Term	<p>The consideration shall be payable by Eastern Home to Taiwan NB in the following manner:</p> <ul style="list-style-type: none">(i) NT\$10,000,000 (equivalent to approximately HK\$2,605,931) to be paid on the signing date of the Transfer of Spa Business Agreement;(ii) NT\$10,000,000 (equivalent to approximately HK\$2,605,931) to be paid within 30 days from the date of transfer;(iii) the remainder of consideration to be paid within 3 months from the date of transfer.
Date of Transfer	<p>1 September 2020 or date of independent Shareholders' approval, whichever is later.</p>
Condition	<p>The Transfer of Spa Business Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.</p>

Basis of determination of consideration

The consideration was determined by the parties to the Transfer of Spa Business Agreement after arm's length negotiations with reference to the value of the operating assets of Spa Business as evaluated by an Independent Third Party valuer, Titan International Financial Advisory Ltd., as of 30 June 2020 ("**Valuation Report**") after deduction of the amount of operating liabilities of the Spa Business based on the management accounts as of 30 June 2020. According to the Valuation Report, the valuation of the operating assets of the Spa Business as of 30 June 2020 was approximately NT\$78,639,291 (equivalent to approximately HK\$20,492,857); whereas the amount of operating liabilities of the Spa Business based on the management accounts as of 30 June 2020 is NT\$41,202,402 (equivalent to approximately HK\$10,737,062).

According to the Valuation Report, the assets of the Spa Business can be categorised into the (i) equipment and lease improvement; (ii) prepayment for equipment and construction in progress and (iii) unrecognised construction in progress.

Since the amounts for the prepayment for equipment and construction in progress as well as the unrecognised construction in progress to be received in the foreseeable future are approximate to the book value, after discussing with the management, the valuer considered that the book value of these items are equal to the fair value.

LETTER FROM THE BOARD

As for the equipment and lease improvement, the Valuation Report noted that the main valuation approaches for the valuation of equipment include the market approach, the cost approach and the income approach. The Valuation Report did not adopt the market approach as it is difficult to obtain references of actual transaction of sales of Spa Business equipment from publicly available information. The income approach was not adopted because of the difficulty to separate the predicated cash flow generated from individual equipment. In the absence of comparable sales of Spa equipment, the valuer considered that the cost approach with reference to the depreciated replacement cost to be the most appropriate.

The Directors have interviewed the valuer and are given to understand that it is a professional valuer who provides a wide spectrum of professional valuation and consultancy services to clients worldwide in connection with financial reporting, corporate financing and merger and acquisition etc. The valuer confirmed that it is an Independent Third Party to the parties to the Transfer of Spa Business Agreement and their respective core connected persons. The Directors understand that the persons in charge of the valuation of the Spa Business have extensive experience in valuing similar assets as that of the Spa Business. The Directors have reviewed the terms of the valuer's engagement letter and noted that the scope of work is appropriate for arriving at the opinion of market value on the Spa Business, and there were no limitations on the scope of work. Thus, the Directors consider that the valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Spa Business.

During the valuation process, the Directors have also assessed and discussed with the valuer regarding the methodology and principal basis and assumptions adopted for the valuation of Spa Business. The Directors discussed with the valuer the common valuation approaches and assessed the suitability of each valuation approach and the Directors agreed with the valuer that the adoption of cost approach to be the most appropriate in the circumstances. The Directors have also reviewed the calculation of the valuation and considered that the adjustment of impairment in the calculation is fair. Thus, the Directors consider that the valuation of the Spa Business as determined in the Valuation Report is fair and reasonable.

Furthermore, nothing has come to the Directors' attention that parties to the Transfer of Spa Business Agreement had made formal or informal representation to the valuer that contravenes with the Directors' understanding of the information, to a material extent, as set out in this Circular.

As such, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Transfer of Spa Business Agreement no less favourable than that offered by Independent Third Parties. Moreover, the Directors (including the independent non-executive Directors) consider the consideration under the Transfer of Spa Business Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 Latest Practicable Date, the single largest ultimate beneficial owner of Eastern Home was EMI.

LETTER FROM THE BOARD

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.

Financial Effects of the Transfer of Spa Business and Intended Use of Proceeds

The carrying value of the Spa Business as shown in the consolidated management accounts of the Group as at 31 December 2019 was approximately HK\$9,861,589. Subject to review and confirmation by the auditors of the Group, the Group is expected to record no gain and no loss from the transfer of Spa Business.

The Company intends to apply the net proceeds (if any) from the Transfer of Spa Business Agreement for the Group's general working capital.

INTERNAL CONTROL MEASURES

As disclosed in the announcement of the Company dated 16 April 2019, the Group has adopted certain internal control procedures and corporate governance measures in relation to continuing connected transactions of the Company.

In respect of each transaction contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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). To ensure that the terms of each of the sales contracts (both revenue and expense in nature) proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms so far as the independent Shareholders are 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, 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;

LETTER FROM THE BOARD

- (iii) the chief executive officer of the Company shall be responsible for approving the individual sales contract to ensure that the price and terms as agreed are fair and reasonable and no less favourable than those offered by Independent Third Parties or no more favourable than those offered to Independent Third Parties and in accordance with the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements and the pricing policies of the Company through the above-mentioned process;
- (iv) the internal accounting department of the Company shall be responsible for reviewing and assessing quarterly the internal control procedures of the Group, including but not limited to the relevant information in relation to the Supplemental Agreements and the 2020 CCT Agreements. In addition, the internal accounting department shall prepare a quarterly internal control report, which specifies the aggregate transaction amounts of the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements incurred in that quarter, and shall submit such report to the chief financial officer of the Company for her review before further passing it to the Audit Committee for its review. If and when the chief financial officer of the Company or the Audit Committee becomes aware of any signs of deficiency in the internal control system or that the actual aggregate transaction amount of any transaction under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements will soon exceed its annual cap for the relevant quarter, he/she/it shall ensure that appropriate internal control procedures would be immediately restored and no further transactions in respect of that particular transaction shall be carried out for the remainder of the contract terms;
- (v) the auditors of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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 Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements; and
- (vii) the independent non-executive Directors will conduct an annual review of the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements to ensure that the transactions contemplated thereunder respectively are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Group will continue to adopt and implement such internal procedures and corporate governance measures for all ongoing and proposed continuing connected transactions of the Company 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.

LETTER FROM THE BOARD

By implementing such 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 Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements will be on normal commercial terms and no less favourable to the Group than available from Independent Third Parties.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE CONNECTED TRANSACTION

FESS became a controlling shareholder of the Company in 2 October 2018. EMI, the 100% shareholder of FESS, is an investment holding company holding interests in various companies focusing on 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 Home and Eastern Global under the Existing 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 Supplemental Agreements (and subsequently the Supplemental Agreements (II)) for the purpose of either (a) extending the contractual term; (b) increasing the annual caps; (c) fine-tuning certain contract terms and/or (d) expanding the scope of business cooperation.

As regards the 2020 CCT Agreements and subsequently the 2020 CCT Supplemental Agreements, the Directors consider that:

- The ET New Retail Procurement Agreement (as amended by the ET New Retail Procurement Supplemental Agreement) provides a framework to (a) allow the Group to sell "Natural Beauty" products via the well-established sales channels of ET New Retail; (b) increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by ET New Retail.
- The Focus Media Cooperation and Procurement Agreement (as amended by the Focus Media Cooperation and Procurement Supplemental Agreement) provides a framework to (a) allow the Group to sell "Natural Beauty" products via the well-established sales channels of Focus Media; (b) increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by Focus Media; and (c) provides the Group with an additional distribution channel of the Group's products and hence an opportunity to increase sales.
- Each of the Eastern Global HK Procurement Agreement (as amended by Eastern Global HK Procurement Supplemental Agreement), the Eastern Zhenyu Procurement Agreement (as amended by the Eastern Zhenyu Procurement Supplemental Agreement) and the Strawberry Procurement Agreement (as amended by the Strawberry Procurement Supplemental Agreement) provides the Group with an additional distribution channel of the Group's products and hence an opportunity to increase sales.

LETTER FROM THE BOARD

- There is a growing demand for spas in Taiwan. The Eastern Home Franchise Agreement (as amended by the Eastern Home Franchise Supplemental Agreement) will enable Eastern Home to set up spas in Taiwan under the brand name “Natural Beauty” and provide the Group with an additional distribution channel of the Group’s products and hence an opportunity to increase sales.

The Transfer of Spa Business Agreement will improve the Group’s asset turnover rate and generate additional cash inflow, which would enhance the Group’s ability to focus on the franchising business.

The Directors acknowledge that the scale of the transaction amounts contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements may give rise to concerns that there is a certain level of reliance on the Company’s connected persons for the Company’s business going forward. However, the Directors have carefully assessed the following factors and are of the view that the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements will not have any material adverse impact on the Group’s businesses:

(1) Sustainability of the Group’s existing businesses

Following the completion of the unconditional mandatory general cash offer for all the issued share capital in the Company in November 2018 (the “**Change of Control**”), the then existing businesses (“**Existing Businesses**”) operated by the Company and its subsidiaries (together as the “**Group**”) have continued to be an integral and well established source of revenue for the Group. The continuing connected transactions under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements are only additional to the Existing Businesses which are well established and sustainable in terms of revenue without taking into account of any connected transactions.

(2) Whether reliance is mutual and complementary

The board of Directors is of the view that there is no mutual reliance between the Group and its connected persons. EMI is a listed company in Taiwan and the EMI Group has well established businesses to generate substantial revenue independently of the Group.

(3) Whether the Company has an established relationship with the connected persons

Although the relationship between the Group and the connected persons has only begun since the Change of Control which took place in around November 2018, the risk that the relationship will terminate is low because FESS is the controlling shareholder of the Group and EMI is the 100% shareholder of FESS. As such, the interests of the Group are aligned with the EMI Group.

LETTER FROM THE BOARD

(4) Whether the connected person dominates the industries in which it operates

Eastern Home is the first TV shopping channel in Taiwan as well as the TV shopping platform with the most number of TV channels in Taiwan. It is also a renowned e-commerce shopping platform in Taiwan. The Group's cooperation with Eastern Home under (1) the Amended Eastern Home Agreement; and (2) the Eastern Home Franchise Agreement as amended by the Eastern Home Franchise Supplemental Agreement leverages on the established distribution channels and leading market position of Eastern Home. Therefore, the Directors are of the view that the cooperation with Eastern Home is in line with the industry norm such that it is natural for the Group to seek a renowned distribution channel to cooperate with for its sale of products in Taiwan. The Directors are not aware of any red flags indicating the Company's relationship with Eastern Home are likely to turn sour, especially given Eastern Home's ultimate beneficial owner is EMI, which is also the ultimate controlling shareholder of the Group.

Connected persons other than Eastern Home do not have any dominant position in the industries in which they operate.

(5) Mitigation of exposure to risks

The Directors are of the view that the Group could mitigate its exposure to the risk of potential concentration of revenue from connected persons because there are comparable and readily available substitutes to replace the roles played by the connected persons under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements.

The Advertising Services provided by ET New Media under the Amended ET New Media Agreement and the Advertising Services provided by Focus Media under the Focus Media Cooperation and Procurement Agreement as amended by Focus Media Cooperation and Procurement Agreement could be easily substituted by other media operators given the competitive landscape of media operators in Taiwan.

In addition, the sale of products by the Group via various distribution channels of the connected persons such as Eastern Global, ET New Retail, Eastern Global HK, Eastern Zhenyu and Strawberry could be substituted by other distributors readily available in Taiwan as distribution channels for products such as the sale of cosmetic products normally does not have high entry barriers and there is an abundant number of similar distributors in the Taiwan market. Moreover, in terms of TV shopping and e-commerce platforms, the competitors of Eastern Home are comparable and readily available substitutes for Eastern Home for sale of the Group's products.

The Directors are also of the view that it is generally not difficult to find a substitute franchisee for the Eastern Home Franchise Agreement as amended by the Eastern Home Franchise Supplemental Agreement. This is supported by the fact that as of 31 July 2020, the Company had 285 existing independent franchisees engaged under similar terms as the terms of the Eastern Home Franchise Agreement as amended by the Eastern Home Franchise Supplemental Agreement in Taiwan.

LETTER FROM THE BOARD

Therefore, in light of the availability of comparable and readily available substitutes in the market, the Directors are also of the view that any change in the relationship with the abovementioned connected persons will not have a material adverse impact on the Group's businesses because it will be able to effectively mitigate its exposure.

(6) Whether level of reliance is likely to decrease in the future

The Directors believe that the level of reliance on connected persons is likely to decrease in the future as the Group plans to take the following measures:

a. The Company's focus will remain in the PRC

The majority of the continuing connected transactions under the Amended Existing CCT Agreements and 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements occur in Taiwan. However, according to the Group's unaudited consolidated financial statements for the year ended 31 December 2019, Taiwan only accounted for about 28% of the Group's total revenue. The main source of the Group's revenue in 2019 came from the PRC, which accounted for about 71% of the Group's total revenue.

b. Market penetration – further growth potential in the Malaysian beauty market

The Directors believe that Malaysia is a growing market and has a huge revenue growth potential, and thus has decided to make further investment in Malaysia. At the end of 2019, the Company recruited a Chief Operating Officer in Malaysia responsible for the restructuring and expansion of local businesses. The growth in the Malaysian market will also help reduce the Company's reliance on its connected persons in future.

c. Diversification

Before the Company's acquisition of two medical aesthetics companies in 2018, the Group was principally engaged in (a) manufacturing and sale of a range of products including skin care, beauty and aroma-therapeutic products, health supplements, make-up products and beauty apparatus and (b) provision of skin treatments, beauty and spa services, medical cosmetology services and skin care consulting and beauty training.

However, since the Company's acquisition of two medical aesthetics companies in 2018, the Company has expanded the Company's business into the medical aesthetics market. The Directors consider that the Company can rely on the Company's expertise in the beauty industry to further develop the medical aesthetics business and help diversify the Company's reliance on the connected persons of the Company.

LETTER FROM THE BOARD

(7) Whether the Company is capable of maintaining its revenue in the future in light of the reliance

The industries of which the connected persons are operating under the Supplemental Agreements and 2020 CCT Agreements are mainly in relation to wholesale and retail of products via various channels such as TV shopping and e-commerce. The Directors are of the view that the Company is capable of maintaining its revenue in the future in light of the reliance of the connected persons as the sale of products such as cosmetics through distributors especially in the TV shopping and e-commerce industries is in line with the prevalence of e-commerce in recent years.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider the terms of each of the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, Supplemental Agreements (II) and 2020 CCT Supplemental Agreements had been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are other than the Transfer of Spa Business Agreement in the ordinary and usual course of business of the Group, and hence consider the terms of each of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, Supplemental Agreements (II) and 2020 CCT Supplemental Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

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 Existing CCT Agreements (as amended by the Supplemental Agreements) and the 2020 CCT Agreements, including but not limited to adjustment of the proposed annual caps thereunder.

LETTER FROM THE BOARD

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 to the proposed annual caps under the Existing CCT Agreements (as amended by the Supplemental 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, the 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.

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, 2020 CCT Agreements, and Transfer of Spa Business Agreement, Supplemental Agreements (II) and 2020 CCT Supplemental Agreements, 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, the 2020 CCT Agreements, Transfer of Spa Business Agreement, Supplemental Agreements (II) and 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 in the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, Supplemental Agreements (II) and 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, the 2020 CCT Agreements, Transfer of Spa Business Agreement, Supplemental Agreements (II) and 2020 CCT Supplemental Agreements, and the transactions contemplated respectively thereunder.

Since the Directors consider that the transactions contemplated under the Supplemental Agreements, the 2020 CCT Agreements, Supplemental Agreements (II) and 2020 CCT Supplemental Agreements, 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.

LETTER FROM THE BOARD

As all applicable ratios (as defined in the Listing Rules) in respect of the Transfer of Spa Business Agreement are less than 5%, the Transfer of Spa Business Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and are not subject to the requirements under Chapter 14 the Listing Rules.

INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE

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, the 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 (other than the Transfer of Spa Business Agreement) 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).

EGM

The Company will convene the EGM to be held at the Conference Room, 8/F, 368 Section 1 Fuxing South Road, Da'an District, Taipei, Taiwan on Monday, 16 November 2020 at 2:00 p.m. for the purpose of considering and, if thought fit, to approve, among other things, the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable). The voting in relation to the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable) will be conducted by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

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 Shareholder will be required to abstain from voting on the resolutions approving the Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement at the EGM.

A notice of EGM is set out on pages 128 to 132 of this circular. A proxy form for appointing proxy is dispatched with this circular and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.ir-cloud.com/hongkong/00157/irwebsite>). Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:00 p.m. on Saturday, 14 November 2020) 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 adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 11 November 2020 to Monday, 16 November 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 10 November 2020.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set up on pages 58 to 59 of this circular which contains its recommendation to the independent Shareholders in respect of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable); (ii) the letter from Pelican set out on pages 60 to 112 of this circular which contains its advice to the Independent Board Committee and the independent Shareholders in respect of the Supplemental Agreements, the 2020 CCT Agreements, Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable).

LETTER FROM THE BOARD

The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable) are (i) (other than the Transfer of Spa Business Agreement) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms, on terms no less favourable than those entered into between independent third parties and the Group and fair and reasonable; and (iii) in the interests of the Company and its Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreement, and the transactions contemplated thereunder (including the annual caps, where applicable).

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.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the independent Shareholders in relation to the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements and the transactions contemplated thereunder.



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)

30 October 2020

To the independent Shareholders,

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS
AND CONNECTED TRANSACTION IN RELATION TO
(I) SUPPLEMENTAL AGREEMENTS TO
CERTAIN EXISTING CCT AGREEMENTS;
(II) 2020 CCT AGREEMENTS;
(III) TRANSFER OF SPA BUSINESS AGREEMENT;
(IV) SUPPLEMENTAL AGREEMENTS (II) TO
CERTAIN EXISTING CCT AGREEMENTS;
AND
(V) 2020 CCT SUPPLEMENTAL AGREEMENTS**

We refer to the circular of the Company to the Shareholders dated 30 October 2020 (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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable). 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 60 to 112 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 Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable) 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 Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental Agreements are in the ordinary and usual course of business of the Company (other than the Transfer of Spa Business Agreement) and in the interests of the Group and the Shareholders as a whole, and the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable) 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 Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements, and the transactions contemplated thereunder (including the annual caps, where applicable).

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

LETTER FROM PELICAN



PELICAN FINANCIAL LIMITED

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

30 October 2020

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
AND CONNECTED TRANSACTION IN RELATION TO
(I) SUPPLEMENTAL AGREEMENTS TO CERTAIN EXISTING CCT AGREEMENTS;
(II) 2020 CCT AGREEMENTS;
(III) TRANSFER OF SPA BUSINESS AGREEMENT;
(IV) SUPPLEMENTAL AGREEMENTS (II) TO
CERTAIN EXISTING CCT AGREEMENTS; AND
(V) 2020 CCT SUPPLEMENTAL AGREEMENTS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the entering into of (i) the Supplemental Agreements; (ii) the 2020 CCT Agreements; (iii) the Transfer of Spa Business Agreement; (iv) the Supplemental Agreements (II); and (v) the 2020 CCT Supplemental Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 30 October 2020 (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 announcement of the Company dated 16 April 2019 in relation to the Existing CCT Agreements (the “**Announcement**”), the Company (through its subsidiaries) entered into the Existing CCT Agreements on 16 April 2019. As the Directors consider that the cooperation between the Group and the EMI Group under the Existing 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 EMI Group. Accordingly, on 22 July 2020, the Group entered into (i) the Supplemental Agreements to certain Existing CCT Agreements and (ii) the 2020 CCT Agreements, with the respective connected parties.

LETTER FROM PELICAN

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 with the respective connected parties on 23 October 2020 (after trading hours), pursuant to which the proposed annual caps under the Supplemental Agreements and the 2020 CCT Agreements will be adjusted downwards by approximately 30%. A detailed comparison between the major terms of the relevant Existing CCT Agreements, the Supplemental Agreements, and the Supplemental Agreements (II) is set out in Appendix II to the Circular. Details of each individual agreements under the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements are illustrated below.

The Directors consider the proposed disposal of the Spa Business will improve the Group's asset turnover rate and generate additional cash inflow, and also would enhance the Group's ability to focus on the franchising business, as such Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Transfer of Spa Business Agreement with Eastern Home.

The Supplemental Agreements and the Supplemental Agreements (II)

(i) ET New Media Supplemental Agreement and ET New Media Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Media Supplemental Agreement with ET New Media to amend the Existing ET New Media Cooperation Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Media Supplemental Agreement (II) with ET New Media to further amend the Existing ET New Media Cooperation Agreement. Upon the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) becoming effective, the terms of the Existing ET New Media Cooperation Agreement will be amended pursuant thereto, including an extension of the initial contract term to 31 August 2023. For the avoidance of doubt, the Existing ET New Media Cooperation Agreement and the ET New Media Supplemental Agreement (II) (the “**Amended ET New Media Agreement**”) as amended by the ET New Media Supplemental Agreement is one single contract.

(ii) Eastern Home Supplemental Agreement and Eastern Home Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Supplemental Agreement with Eastern Home to amend the Existing Eastern Home Consignment Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Supplemental Agreement (II) with Eastern Home to further amend the Existing Eastern Home Consignment Agreement. Upon the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II) becoming effective, the terms of the Existing Eastern Home Consignment Agreement will be amended pursuant thereto, including an extension of the initial contract term to 31 August 2023. For the avoidance of doubt, the Existing Eastern Home Consignment Agreement as amended by the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II) (the “**Amended Eastern Home Agreement**”) is one single contract.

LETTER FROM PELICAN

(iii) Eastern Global Supplemental Agreement and Eastern Global Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Global Supplemental Agreement with Eastern Global to amend the Existing Eastern Global Procurement Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Global Supplemental Agreement (II) with Eastern Global to further amend the Existing Eastern Global Procurement Agreement. Upon the Eastern Global Supplemental Agreement becoming effective, the terms of the Existing Eastern Global Procurement Agreement will be amended pursuant thereto, including an extension of the initial contract term to 31 August 2023. For the avoidance of doubt, the Existing Eastern Global Procurement Agreement as amended by the Eastern Home Supplemental Agreement and the Eastern Global Supplemental Agreement (II) (the “**Amended Eastern Global Agreement**”) is one single contract.

The 2020 CCT Agreements and the 2020 CCT Supplemental Agreements

(iv) ET New Retail Procurement Agreement and ET New Retail Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Retail Procurement Agreement, with ET New Retail, pursuant to which Taiwan NB will engage ET New Retail to sell certain products supplied by Taiwan NB. Taiwan NB shall authorise the sales of the target products to end customers and the use of related promotional materials by ET New Retail; while ET New Retail shall be responsible for the marketing and selling of the target products via channels owned by ET New Retail and other third party channels. On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Retail Procurement Supplemental Agreement with ET New Retail to amend certain terms of the ET New Retail Procurement Agreement.

(v) Focus Media Cooperation and Procurement Agreement and Focus Media Cooperation and Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Focus Media Cooperation and Procurement Agreement with Focus Media, pursuant to which Taiwan NB agrees to engage Focus Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhancing the brand image of “Natural Beauty” and to raise public awareness on the brand; supply and sell Taiwan NB's products to Focus Media; and authorise the sales of the target products to end customers and the use of related promotional materials by Focus Media; while Focus Media agrees to produce, publish and broadcast advertisements and to organise media events, and market and sell the target products via channels owned by Focus Media and third party channels. On 23 October 2020 (after trading hours), Taiwan NB entered into the Focus Media Cooperation and Procurement Supplemental Agreement with Focus Media to adjust the proposed annual caps under the Focus Media Cooperation and Procurement Agreement.

LETTER FROM PELICAN

(vi) Eastern Global HK Procurement Agreement and Eastern Global HK Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Eastern Global HK Procurement Agreement with Eastern Global HK, pursuant to which Eastern Global HK may from time to time make wholesale purchase of products from NB China such as food, cosmetic products, and NB China shall sell such products to Eastern Global HK at a certain discount to the relevant retail price. On 23 October 2020 (after trading hours), NB China entered into the Eastern Global HK Procurement Supplemental Agreement with Eastern Global HK to adjust the proposed annual caps under the Eastern Global HK Procurement Agreement.

(vii) Eastern Zhenyu Procurement Agreement and Eastern Zhenyu Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Zhenyu Procurement Agreement with Eastern Zhenyu, pursuant to which Eastern Zhenyu may from time to time make wholesale purchase of products from NB Shanghai such as food, cosmetic products, and NB Shanghai shall sell such products to Eastern Zhenyu at a certain discount to the relevant market retail price. On 23 October 2020 (after trading hours), NB Shanghai entered into the Eastern Zhenyu Procurement Supplemental Agreement with Eastern Zhenyu to adjust the proposed annual caps under the Eastern Zhenyu Procurement Agreement.

(viii) Strawberry Procurement Agreement and Strawberry Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Strawberry Procurement Agreement with Strawberry, pursuant to which Strawberry may from time to time make wholesale purchase of products from NB China such as food and cosmetic products, and NB China shall sell such products to Strawberry at a certain discount to the relevant retail price. On 23 October 2020 (after trading hours), NB China entered into the Strawberry Procurement Supplemental Agreement with Strawberry to adjust the proposed annual caps under the Strawberry Procurement Agreement.

(ix) Eastern Home Franchise Agreement and Eastern Home Franchise Supplemental Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Franchise Agreement with Eastern Home, pursuant to which Taiwan NB agreed to grant Eastern Home a non-exclusive licence to use certain Trademarks in respect of certain skin care products and provide Eastern Home with consultancy services in connection with Eastern Home's operation and management of spa business under the brand name "Natural Beauty". On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Franchise Supplemental Agreement with Eastern Home to adjust the proposed annual caps under the Eastern Home Franchise Agreement.

LETTER FROM PELICAN

The Transfer of Spa Business Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Transfer of Spa Business Agreement with Eastern Home, pursuant to which Taiwan NB agreed to sell, and Eastern Home agreed to purchase the Spa Business at the consideration of NT\$37,436,889 (equivalent to approximately HK\$9,755,795).

Listing Rules Implications

Since ET New Media, Eastern Home, Eastern Global, ET New Retail, Focus Media, Eastern Global HK, 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, the transactions contemplated under each of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements constitute connected continuing 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.

In addition, 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, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the 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, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the Transfer of Spa Business Agreement pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate of (i) the highest combined annual caps of each of the Supplemental Agreements and the Supplemental Agreements (II); (ii) the highest combined annual caps of each of the 2020 CCT Agreements and the 2020 CCT Supplemental Agreements; and (iii) the consideration of the Transfer of Spa Business Agreement exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the entering into of the Supplemental Agreements, the 2020 CCT agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the Transfer of Spa Business Agreement is subject to the reporting, announcement, independent Shareholders' approval and annual review requirements (other than the Transfer of Spa Business Agreement) under Chapter 14A of the Listing Rules.

LETTER FROM PELICAN

The Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Mr. Chen Ruey-Long, Mr. Lu Chi-Chant, and Mr. Yang Shih-Chien, has been established to advise the independent Shareholders regarding the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable). 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, except for acting as the independent financial adviser to the Company in relation to the continuing connected transactions as disclosed in the Company's circular dated 17 May 2019, there was no other 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 Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively are in the ordinary and usual course of business of the Group (other than the Transfer of Spa Business Agreement) and are on normal commercial terms; (ii) whether the terms of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable) 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 resolutions regarding the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable) at the EGM.

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 Expired CCT Agreements (together with the relevant announcement of the Company dated 22 March 2019), the Existing CCT Agreements (together with the Announcement and the circular of the Company dated 17 May 2019), the Supplemental Agreements, the 2020 CCT Agreements, the

LETTER FROM PELICAN

Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the Transfer of Spa Business Agreement (together with the relevant announcements of the Company dated 22 July 2020 and 23 October 2020), the unaudited annual results announcement for the year ended 31 December 2019 (the “**Annual Results**”), the independent valuation report on the Spa Business dated 12 July 2020 (the “**Valuation Report**”) issued by the independent valuer (the “**Valuer**”) and the Circular. 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. The Company will notify the independent Shareholders of any material changes after the Latest Practicable Date and after the dispatch of the Circular. The independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable), we have considered the following principal factors and reasons.

1. Background information of the Group and the connected persons

(a) The Group

The Company is listed on the Main Board of the Stock Exchange. The Group is principally engaged in (a) the manufacturing and sales of a range of products including skin care, beauty, aromatherapeutic products, health supplements, make-up products and beauty apparatus; and (b) the 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) the production and sale of skin care and beauty products, and (ii) provision of beauty treatments and spa services and the relevant training services.

LETTER FROM PELICAN

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 investment and wholesale and retailing of various goods.

NB Shanghai, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the PRC with limited liability. It is principally engaged in the sales of skin care and beauty products.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2019 as extracted from the Annual Results.

	For the year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
<i>Revenue</i>		
– Sales of products	447,817	348,728
– Service income	16,608	20,797
Total Revenue	464,425	369,525
Gross profit	285,282	222,860
Profit for the year	29,813	26,259

According to the Annual Results, revenue generated from the sales of products for the years ended 31 December 2018 and 2019 amounted to approximately HK\$348.7 million and HK\$447.8 million respectively, which represented approximately 94.4% and 96.4% of the total revenue of the Group and an annual growth of approximately HK\$99.1 million or approximately 28.4%. As set out in the Annual Results, 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. Meanwhile, the growth in product sales was mainly driven by (i) the increase in turnover in product sales in the PRC market by approximately 15.6% from approximately HK\$273.9 million in 2018 to approximately HK\$316.8 million in 2019; and (ii) the increase in turnover in product sales in the Taiwan market by approximately 79.5% from approximately HK\$71.3 million in 2018 to approximately HK\$127.9 million in 2019.

Service income generated by the Group in 2019 totalled approximately HK\$16.6 million as compared with HK\$20.8 million in the prior year. The Group's service income originates from 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 stimulate the overall sales of products and attract new 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 three self-owned spas and two self-owned medical cosmetology centres in the PRC and eight self-owned spas in Taiwan. In 2019, service income decreased by approximately 20.1% to approximately HK\$16.6 million compared with

LETTER FROM PELICAN

approximately HK\$20.8 million in 2018, which was mainly due to the decrease in turnover in spa services and medical cosmetology services income by approximately 18.5% to approximately HK\$16.0 million in 2019 compared with approximately HK\$19.5 million in 2018.

(b) *The connected persons*

ET New Media is a company incorporated in Taiwan with limited liability. It is principally engaged in the 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 Latest Practicable Date, EMI was the single largest ultimate beneficial owner of ET New Media.

Eastern Home is a company incorporated in Taiwan with limited liability. It is principally engaged in the 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 Latest Practicable Date, the single largest ultimate beneficial owner of Eastern Home was EMI.

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

ET New Retail is a company incorporated in Taiwan with limited liability. It is principally engaged in the 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 Latest Practicable Date, the single largest ultimate beneficial owner of ET New Retail was EMI.

Focus Media is a company incorporated in Taiwan with limited liability. It is principally engaged in the operation of internet news outlet, sales of advertising, and audio-video production. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the single largest ultimate beneficial owner of Focus Media was Mr. Chen Shizhi.

Eastern Global HK is a company incorporated in Hong Kong with limited liability. It is principally engaged in the wholesale and retailing of various goods. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owner of Eastern Global HK was Mr. Chen Shizhi.

Eastern Zhenyu is a company incorporated in PRC with limited liability. It is principally engaged in the distribution of goods through e-commerce in PRC. To the best of the Directors' knowledge, information and belief upon reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owner of Eastern Zhenyu was Mr. Chao Shih Heng, who is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares.

LETTER FROM PELICAN

Strawberry is a company incorporated in Hong Kong with limited liability. It is principally engaged in the sales 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 Latest Practicable Date, the single largest ultimate beneficial owner of Strawberry was EMI.

As disclosed in the Announcement, the Directors consider it appropriate to voluntarily treat Eastern Home, Eastern Global, ET New Retail (a wholly-owned subsidiary of Eastern Home), Focus Media (a related party of EMI under the laws of Taiwan) and Eastern Global HK (a wholly-owned subsidiary of Eastern Global) as connected persons of the Company and to comply with Chapter 14A of the Listing Rules.

We also understand that the Group has been transacting with ET New Media, Eastern Home, Eastern Global and Strawberry since 2019 and all of them have successfully provided various products and services to the Group and maintained good payment records for services provided by the Group to the connected persons, where applicable.

The Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the Transfer of Spa Business Agreement shall only become effective upon the Company having obtained the approval of the independent Shareholders at the EGM of the Company.

2. Reasons for and benefits of entering into the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements and the Transfer of Spa Business Agreement

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 became a controlling shareholder of the Company in October 2018. EMI, the 100% shareholder of FESS, being an investment holding company holding interests in various companies focusing on media, virtual retail, real estate, and entertainment content production in Taiwan, to the best knowledge of the Directors, 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 Home and Eastern Global under the Existing 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 Supplemental Agreements (and subsequently the Supplemental Agreements (II)) for the purpose of either (i) extending the contractual term; (ii) increasing the annual caps; (iii) fine-tuning certain contract terms and/or (iv) expanding the scope of business cooperation.

LETTER FROM PELICAN

Regarding the 2020 CCT Agreements and subsequently the 2020 CCT Supplemental Agreements, the Directors consider that some or all of them would (i) allow the Group to sell “Natural Beauty” products via the well-established sales channels of the relevant connected persons; (ii) increase the exposure of the “Natural Beauty” brand and products by leveraging on the extensive sales channels operated by the relevant connected persons; and (iii) provide the Group with additional distribution channels of the Group’s products and hence an opportunity to increase sales.

As stated in the Board Letter, although the scale of the transaction amounts contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements may give rise to concerns that there is a certain level of reliance on the Company’s connected persons for the Company’s business going forward, the Directors have carefully assessed the following factors and are of the view that the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements will not have any material adverse impact on the Group’s businesses:

- (i) the existing businesses of the Company are well established and sustainable in terms of revenue without taking into account of any connected transactions;
- (ii) the board of Directors is of the view that there is no mutual reliance between the Group and its connected persons since EMI is a listed company in Taiwan and the EMI Group has well established businesses to generate substantial revenue independently of the Group;
- (iii) the risk that the Group’s relationship with the connected persons will terminate is low because FESS is the controlling shareholder of the Group and EMI is the 100% shareholder of FESS, and hence the interests of the Group are aligned with the EMI Group;
- (iv) the Directors are of the view that the cooperation with Eastern Home is in line with the industry norm such that it is natural for the Group to seek a renowned distribution channel to cooperate with for its sale of products in Taiwan. Connected persons other than Eastern Home do not have any dominant position in the industries in which they operate;
- (v) the Group could mitigate its exposure to the risk of potential concentration of revenue from connected persons because there are comparable and readily available substitutes to replace the roles played by the connected persons;
- (vi) the level of reliance on connected persons is likely to decrease in the future as the Group plans to remain focus in the PRC market, make further investment in Malaysia market and diversify the Group’s business into the medical aesthetics market; and
- (vii) the Directors are of the view that the Company is capable of maintaining its revenue in the future in light of the reliance of the connected persons as the sale of products such as cosmetics through distributors especially in the TV shopping and e-commerce industries is in line with the prevalence of e-commerce in recent years.

LETTER FROM PELICAN

The Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements are entered into between the Group and the relevant connected persons to regulate the transactions which are recurrent, regular and continuing in nature between the parties. Having considered that (i) the established business relationship between the Group and most of these connected parties; (ii) the proven track records most of these connected parties have in transacting with the Group; (iii) the good payment records most of these connected parties have maintained with the Group; and (iv) the potential benefits brought to the Group from the transactions contemplated under the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and 2020 CCT Supplemental Agreements, we are of the view that the transactions contemplated under the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and 2020 CCT Supplemental Agreements with these connected parties will provide an efficient and effective mean for the Group to carry out and expand certain of its business activities, we are also of view that the transactions contemplated under the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements will be carried out in the ordinary and usual course of business of the Company, 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.

On the other hand, we concur with the Directors that the Transfer of Spa Business Agreement will improve the Group's asset turnover rate and generate additional cash inflow and will enhance the Group's ability to focus on its franchising business. According to the Annual Results, it is the Group's strategy to establish self-owned spas as model outlets in strategic locations to stimulate the overall sales of products and attract new franchisees. In this regard, we have enquired the Company on the reasons for disposing of the Spa Business (i.e. self-owned spas) to Eastern Home under the Transfer of Spa Business Agreement, and we were given to understand that the Company considered disposing of the Spa Business to Eastern Home, which would then sell the products of Taiwan NB through the acquired spa outlets under the Eastern Home Franchise Agreement, as more effective in stimulating the Group's sales of products, given that Eastern Home has a much larger customer base than the Group as a result of its years of distribution of goods through TV shopping and e-commerce in Taiwan, and that Eastern Home can leverage on its online customers to drive offline sales at the acquired spa outlets. We also noted that the Group still seeks to establish more self-owned spas in strategic locations, but such expansion plan is not limited to Taiwan but rather international. On the other hand, as discussed in the below section headed "Principal terms of the Transfer of Spa Business Agreement and our analysis" of this letter, the consideration under the Transfer of Spa Business Agreement is equivalent to the appraised value of the Spa Business as at 30 June 2020 as evaluated by the Valuer minus the amount of the operating liabilities from operating activities of the Spa Business based on its management accounts as of 30 June 2020. Accordingly, we are of the view that the valuation of the Spa Business was carried out on a fair and reasonable ground by the Valuer. In light of the above and noting the benefits of and reasons for disposing of the Spa Business, we consider the consideration under the Transfer of Spa Business Agreement and the transactions contemplated thereunder 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.

LETTER FROM PELICAN

3. Principal terms of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and 2020 CCT Supplemental Agreements and our analysis

The Supplemental Agreements and the Supplemental Agreements (II)

(i) ET New Media Supplemental Agreement and ET New Media Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Media Supplemental Agreement with ET New Media to amend the Existing ET New Media Cooperation Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Media Supplemental Agreement (II) with ET New Media to further amend the Existing ET New Media Cooperation Agreement. Upon the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) becoming effective, the terms of the Existing ET New Media Cooperation Agreement will be amended pursuant thereto, including an extension of the initial contract term to 31 August 2023.

Set out below are the existing annual caps under the Existing ET New Media Cooperation Agreement and the proposed annual caps under the Amended ET New Media Agreement.

	1 Jun 2019 to 31 Dec 2019	1 Jan 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Existing annual caps for advertising services under the Existing ET New Media Cooperation Agreement	NT\$15,000,000 (equivalent to approximately HK\$3,908,897)	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$10,000,000 (equivalent to approximately HK\$2,605,931) <i>(Note 1)</i>	Not applicable
Actual transaction amounts	NT\$5,255,581 (equivalent to approximately HK\$1,369,568)	NT\$1,112,314 (equivalent to approximately HK\$289,861) <i>(Note 2)</i>	Not applicable	Not applicable	Not applicable
<i>Utilisation rate</i>	35.0%	3.7%	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
Adjusted annual caps for advertising services under the Amended ET New Media Agreement	Not applicable	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)

Note 1: For the period from 1 January 2022 to 31 May 2022.

Note 2: For the period from 1 January 2020 to 31 August 2020.

LETTER FROM PELICAN

In determining the annual caps for advertising services under the Amended ET New Media Agreement, the Group has taken into account (i) the historical transaction amount relating to fees for the advertising services paid or payable by Taiwan NB under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement; (ii) the marketing plan and campaigns of Taiwan NB during the term of the Amended ET New Media Agreement, in which Taiwan NB would launch a new product line and deploy new advertising projects (e.g. engaging key opinion leaders (“KOL”) to interact with local consumers on social media platforms through ET New Media, together with other content and experimental marketing strategies through the channels of ET New Media), which would necessitate additional advertising expenses; (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media during the term of the Amended ET New Media Agreement; and (iv) the impacts of the outbreak of COVID-19 on the proposed marketing plan and campaigns of Taiwan NB.

It was announced in the announcement of the Company dated 22 July 2020 that ET New Media would procure from Taiwan NB, and Taiwan NB would supply and sell to ET New Media, Taiwan NB’s products under the ET New Media Supplemental Agreement. As the outbreak of COVID-19 has posed certain challenges to the business landscape, the Directors believe that it would be appropriate to not pursue the transactions on products procurement proposed under the ET New Media Supplemental Agreement, and to channel more resources in support of other agreements with other members of the EMI Group involving product procurements as disclosed in the Circular and this letter so as to enhance the cost efficiency of the cooperation with the EMI Group as a whole.

Documents obtained and reviewed

In connection with the Amended ET New Media Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected aggregate advertising fees payable by the Group to ET New Media from the effective date to 31 August 2023; (ii) a schedule setting out the actual/estimated advertising fees payable by the Group to ET New Media under the Expired ET New Media Cooperation Agreement and the Existing ET New Media Cooperation Agreement; and (iii) seven samples of engagements entered into between the Group and ET New Media and three sample quotations for similar services offered by Independent Third Parties in 2019.

Basis for determining price and other terms and our analysis

Under the Amended ET New Media Agreement, 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 offer to its clients which are independent third parties).

Regarding the pricing term for the advertising service under the Amended ET New Media Agreement, which remains unchanged compared with those under the Existing ET New Media Cooperation Agreement, as disclosed in the circular of the Company dated 17 May 2019, such term was determined by the parties to the Existing ET New Media Agreement with the intention to minimise the advertising costs for Taiwan NB while remaining sufficient to cover the costs to be incurred by ET New Media.

LETTER FROM PELICAN

In reviewing the price basis for advertising services provided by ET New Media, we have obtained the payment records and terms of seven sample engagements made between the Group and ET New Media for the latter's advertising services which involved placing the Group's advertisements in the advertising light boxes at various public transportation stations, and compared them to the sample quotations for similar services offered by Independent Third Parties in 2019. Based on our review of the documents, we noted that the prices (net of discount) and/or terms offered by ET New Media were in line with the prices and/or terms for similar advertising light boxes 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 for each advertising project under the Amended ET New Media Agreement is fair and reasonable.

We have also discussed with the management the basis of the estimation of the advertising fee payable to ET New Media from the effective date to 31 August 2023 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 during the same period. In particular, we have reviewed the advertising budgets of the Group for the four years ending 31 December 2023 and noted that the proposed annual caps for advertising services pursuant to the Amended ET New Media Agreement account for between 5% to 6% of the Group's corresponding annual advertising budgets, which we consider as fair and reasonable.

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 engagement with the ET New Media to provide the Group with advertising services would promote the "Natural Beauty" brand and products by utilising the marketing expertise of ET New Media. As a result, the Amended ET New Media Agreement represents an opportunity to the Group to further enhance its brand awareness and increase sales.

In light of the above (after trading hours), we are of the view that the Amended ET New Media Agreement and the terms thereof are on normal commercial terms and the fees payable therefrom as well as the respective proposed annual caps under the Amended ET New Media 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) Eastern Home Supplemental Agreement and Eastern Home Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Supplemental Agreement with Eastern Home to amend the Existing Eastern Home Consignment Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Supplemental Agreement (II) with Eastern Home to further amend the Existing Eastern Home Consignment Agreement. Upon the Eastern Home Supplement Agreement and the Eastern Home Supplemental Agreement (II) becoming effective, the terms of the Existing Eastern Home Consignment Agreement will be amended pursuant hereto, including an extension of the initial contract term to 31 August 2023.

LETTER FROM PELICAN

Documents obtained and reviewed

In connection with the Eastern Home Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out (a) the projected amount of sales of target products receivable by the Group from Eastern Home; (b) the projected amount of costs in relation to the sales of target products to end customers, including the costs associated with the marketing, transportation and programme production (“**Costs**”) payable by the Group to Eastern Home; (c) the projected amount of sale commission payable by the Group to Eastern Home; and (d) the projected amount of a royalty for licence to use the Trademarks (“**Royalty**”) receivable by the Group from Eastern Home, from the amendment effective date to 31 August 2023; (ii) a schedule setting out information on the actual/estimated net proceeds received/to be received by the Group from Eastern Home under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and the Existing Eastern Home Consignment Agreement; (iii) one sample of engagement entered into between the Group and Eastern Home for products procurement transactions in 2019 and five samples of order/quotation between the Group and Eastern Home for products procurement transactions in 2019; (vi) one sample of engagement entered into between the Group and Eastern Home for use of the Trademarks in 2019 (since there was no actual transaction in relation to the use of the Trademarks in 2019 between the Group and Eastern Home, no sample of quotation/order is available); (vii) three sample quotations for similar products of Taiwan NB and in similar quantities offered by the Group to franchisees which are Independent Third Parties (the “**Procurement Quotations to Franchisees**”); (viii) five sets of purchase receipts provided by Taiwan NB to Independent Third Parties for the similar products of Taiwan NB; and (ix) 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 market and operation conditions, the annual transaction amount for product procurement and trademark licence 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 than those offered by Taiwan NB, Eastern Home shall first procure the skincare and beauty products from Taiwan NB (the “**Eastern Home Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Amended Eastern Home Agreement, the price of the target products sold by Taiwan NB to Eastern Home shall be set at 50% to 70% discount to their retail price, or 80% to 90% discount to their retail price if it is test products, salon-only products or near expiry products, and Taiwan NB shall pay Eastern Home for the Costs involved. Meanwhile, Taiwan NB shall pay an annual sale commission to Eastern Home ranging from 5% to 10% of the product sales amount depending on the amount of product sales. On the other hand, Eastern Home shall pay a Royalty to use the Trademarks at 3% to 10% of the selling price (before tax; and after deduction of any discount) from the sales of mutually agreed products.

LETTER FROM PELICAN

The parties to the Amended Eastern Home Agreement determined the pricing term for products procurement by Eastern Home based on the wholesale market prices for similar products and in similar quantities offered by the Group to Independent Third Parties, while the rates of the Royalty were determined based on the market level of royalty rates under similar trademark licence agreements.

In this regard, we have obtained five samples of order/quotation records and terms of one sample engagement made between the Group and Eastern Home regarding the latter's products procurement, and compared them to the five sets of purchase receipts provided by the Group to Independent Third Parties for the similar products of Taiwan NB. Based on our review of the documents, we noted that the prices (net of discount) and/or terms offered to Eastern Home are in line with the prices and/or terms for similar products offered to Independent Third Parties by the Group. As such, the comparison shows that the amount of sales of target products received or to be received by the Group from Eastern Home was or would be comparable to, or no less unfavorable than, such amount received or to be received from Independent Third Parties. We also have obtained from the Company three Procurement Quotations to Franchisees, which show discounts ranging at between 22% to 77% to the retail prices of those similar new products of Taiwan NB, and discounts ranging at between 82% to 89% to the retail prices of those similar test products, salon-only products or near expiry products of Taiwan NB, and are hence in line with the pricing term for products procurement by Eastern Home. Accordingly, we consider that the pricing basis for products procurement by Eastern Home under the Amended Eastern Home Agreement is fair and reasonable.

In reviewing the pricing term for the sales commission, we have conducted an independent market research and found that according to a research report dated 24 June 2019 released by iResearch, a leading provider of consumer insights and media audience research in PRC, beauty products e-commerce platforms in the PRC on average charged a sales commission of between 15% to 20% of the selling price in 2019.¹ We have also reviewed two sets of executed historical sales commission agreements entered into between the Company and its independent franchisees, and noted the Company agreed to pay these independent franchisees sales commissions of between 15% to 20% of the selling price, which can be broken down into a basic sales commission of 10% of the selling price and additional commissions when these independent franchisees reach a certain level of sales. Accordingly, the sales commission under the Amended Eastern Home Agreement are comparable to, or no less favourable than, the sales commission the Company currently pays to Independent Third Parties. Given that the sales commission of between 5% to 10% of the selling price under the Amended Eastern Home Agreement are in line with the market rates, we consider such pricing term for the sales commission to be fair and reasonable.

¹ Please refer to http://report.iresearch.cn/report_pdf.aspx?id=3391

LETTER FROM PELICAN

In reviewing the pricing term for the Costs, as discussed with the management of the Company, we understand that the Costs are determined based on cost breakdowns as listed out in the Existing Eastern Home Consignment Agreement. This cost breakdowns include packaging fees, delivery fees, warehouse storage fees, boxes' fees, payment gateway fees etc. We understand from the Company that these costs are quoted by their service providers and from our reviews of these cost breakdowns, we are of the view that these costs and rates are quite customary for TV shopping and e-commerce businesses. Accordingly, we consider such pricing term of the Costs to be fair and reasonable.

In reviewing the pricing basis for the Royalty, we have conducted an independent market research and found ten Hong Kong listed companies with their royalty rates disclosed in their announcements, circulars or prospectuses. Our research result is set out below and from our review, the market royalty rates ranged from 0.3% to 15%, with an average royalty rate of approximately 4.1%. Accordingly, the Royalty rates of 3% to 10% of the selling price are in line with the market rates and hence we consider that the pricing basis for the Royalty under the Amended Eastern Home Agreement to be fair and reasonable.

Company (stock code)	Date of prospectus/ announcement/ circular	Royalty rate (%)	Type of services
San Miguel Brewery Hong Kong Limited (236)	01 April 2010	2.50	Right to use trademarks for the distribution and sale of beer products in the PRC
PW Medtech Group Limited (1358)	30 June 2014	2.00	A brand name and a patent technology applied in the biotech product
Regina Miracle International (Holdings) Limited (2199)	24 September 2015	0.50	Right to use trademarks in the PRC and Hong Kong as the trade name of relevant retail outlets and the brand name of all of the intimate wear products sold
Yashili International Holdings Limited (1230)	03 May 2016	3.50	Right to use trademarks for the distribution and sale of milk powder
Birmingham International Holdings Limited (2309)	19 July 2016	10.00	Not disclosed
C.P. Pokphand Company Limited (43)	28 December 2016	1.50	Right to use trademarks for livestock and aqua-culture business

LETTER FROM PELICAN

Company (stock code)	Date of prospectus/ announcement/ circular	Royalty rate (%)	Type of services
Nissin Foods Company Limited (1475)	29 November 2017	2.50	Right to use the trademark for certain food products manufactured in Hong Kong and the PRC
Mason Group Holdings Limited (273)	22 December 2017	2.00	Right to use the trading name in providing investment advisory services, securities dealing services, assets management services, insurance brokerage services and corporate secretarial services
Tongfang Kontafarma Holdings Limited (1312)	05 March 2018	15.00	Right to operate the fitness centres under certain brands at specified premises in Taiwan
Vision International Holdings Limited (8107)	23 April 2018	5.00	Right to use certain brand for property development
C.P. Pokphand Company Limited (43)	10 August 2018	0.30	Right of use of the trademark in the PRC in connection with the production, distribution and sale of certain designated food products and the provision of ancillary retail, management and consultancy services
	Maximum	15.00	
	Minimum	0.30	
	Average	4.07	

Source: The Stock Exchange

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

Set out below are the existing annual caps under the Existing Eastern Home Consignment Agreement and the proposed annual caps under the Amended Eastern Home Agreement.

	1 Jun 2019 to 31 Dec 2019	1 Jan 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Existing annual caps under the Existing Eastern Home Consignment Agreement	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)	NT\$800,000,000 (equivalent to approximately HK\$208,474,488)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555) <i>(Note 1)</i>	Not applicable
Actual transaction amounts (after deduction of commission and costs of sales)	NT\$110,272,884 (equivalent to approximately HK\$28,736,354)	NT\$164,403,504 (equivalent to approximately HK\$42,842,420) <i>(Note 2)</i>	Not applicable	Not applicable	Not applicable
<i>Utilisation rate</i>	55.1%	32.9%	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
Annual caps for products procurement (with sales commission) under the Amended Eastern Home Agreement	No Change.	NT\$280,000,000 (equivalent to approximately HK\$72,966,071) <i>(Note 3)</i>	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)
Annual caps for Costs under the Amended Eastern Home Agreement	Not applicable	NT\$42,000,000 (equivalent to approximately HK\$10,944,911) <i>(Note 3)</i>	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)
Annual caps for Royalty under the Amended Eastern Home Agreement	Not applicable	NT\$70,000,000 (equivalent to approximately HK\$18,241,518) <i>(Note 3)</i>	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)

Note 1: For the period from 1 January 2022 to 31 May 2022.

Note 2: For the period from 1 January 2020 to 31 August 2020.

Note 3: For the period from the amendment effective date to 31 December 2020.

LETTER FROM PELICAN

In determining the annual caps for products procurement made by Eastern Home (including the sale commission), the Costs and the Royalty under the Amended Eastern Home Agreement, the Group has taken into account (i) the historical transaction amount in respect of the net proceeds under the Previous Eastern Home Consignment Agreement, the Expired Eastern Home Consignment Agreement and the Existing Eastern Home Consignment Agreement respectively; (ii) the projected amount of sales of target products, sales commission and Royalty under the Amended Eastern Home Agreement; (iii) the projected amount of Costs based on the projected sales of target products; (iv) the Eastern Home Undertakings; (v) the impacts of the outbreak of COVID-19 on the business landscape; and (vi) the plan of Taiwan NB to launch several new products to the market, which is expected to result in a substantial increase in (a) the volume and turnover of products to be procured by Eastern Home from Taiwan NB under the Amended Eastern Home Agreement and (b) the costs to be incurred by Eastern Home in relation to the sale of Taiwan NB's products to end customers.

We have obtained and reviewed the Eastern Home Undertakings in which Eastern Home undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Eastern Home Undertakings as proof that Eastern Home is committed to conducting businesses with the Group and we understand from the Company that Eastern Home is committed to actively advertising the Group's products on its TV shopping and e-commerce channels. Given that the single largest ultimate beneficial owner of Eastern Home was EMI, which is the Group's controlling shareholder, we are of the view that the interests of Eastern Home and the Group align and hence it is reasonable to assume that Eastern Home would seek to fulfil the proposed annual caps under the Amended Eastern Home Agreement. Our view is supported by the fact that the actual transaction amount under the Existing Eastern Home Consignment Agreement for the period between January and September 2020 had already reached approximately NT\$212 million, accounting for more than 70% of the annual caps for products procurement (with sales commission) under the Amended Eastern Home Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are

LETTER FROM PELICAN

achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products (including the sale commission) and the Royalty pursuant to the Amended Eastern Home Agreement to be properly estimated and achievable.

We also understand from the Company that, the proposed annual caps of the Costs were initially arrived at by multiplying the relevant costs as listed out in the Existing Eastern Home Consignment Agreement with the anticipated amount of sales volume, and that the calculated costs from selling its products through most TV shopping and e-commerce channels in Taiwan usually account for between 20% to 30% of the sales value. However, because of the anticipated high transaction amounts in the coming years pursuant to the Amended Eastern Home Agreement, as well as the already established business relationship between and Eastern Home, Eastern Home is willing and able to offer a 50% discount to the Group on the Costs because it is familiar with the logistic process of selling the Group's products and is able to streamline such process and hence lower the Costs. Taking such consideration into account and the fact from our review of the Group's historical management accounts, the costs of selling its products through other third-party's sales channels usually account for between 10-30% of the corresponding sales value, we consider the proposed annual caps for the Costs to be 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 engagement with 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 Amended Eastern Home 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 Costs payable and the sales (including the sales commission) and Royalty receivable by the Group, as well as the respective proposed annual caps under the Amended Eastern Home Agreement, are properly estimated, and that the terms thereof are on normal commercial terms 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) Eastern Global Supplemental Agreement and Eastern Global Supplemental Agreement (II)

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Global Supplemental Agreement with Eastern Global to amend the Existing Eastern Global Procurement Agreement. On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Global Supplemental Agreement (II) with Eastern Global to further amend the Existing Eastern Global Procurement Agreement. Upon the Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II) becoming effective, the term of the Existing Eastern Global Procurement Agreement will be amended pursuant thereto, including an extension of the initial contract term to 31 August 2023.

LETTER FROM PELICAN

Documents obtained and reviewed

In connection with the Amended Eastern Global Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of target products to Eastern Global from the effective date to 31 August 2023; (ii) a schedule setting out the actual/estimated sales of target products to Eastern Global under the Previous Eastern Global Procurement Agreement, the Expired Eastern Global Procurement Agreement and the Existing Eastern Global Procurement Agreement; (iii) five samples of order between the Group and Eastern Global for products procurement transactions in 2019; (iv) one sample of engagement entered into between the Group and Eastern Global; (v) five sets of purchase receipts provided by the Group to Independent Third Parties for the similar products of Taiwan NB; and (vi) 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 (a) subject to the market and operation conditions, the aggregated annual transaction amount for product procurement are targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 than those offered by Taiwan NB, Eastern Global shall first procure the skincare and beauty products Taiwan NB (the “**Eastern Global Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Amended Eastern Global Agreement, the price of target products to be sold by Taiwan NB to Eastern Global shall be set at 60% to 70% discount to the relevant retail prices for on-sale by Eastern Global. Such pricing term is the same as that under the Existing Eastern Global Procurement Agreement.

In reviewing such pricing term, we have obtained five samples of order records and terms of one sample engagement made between the Group and the Eastern Global regarding the latter’s previous products procurement, and compared them to the five sets of purchase receipts provided by the Group to Independent Third Parties for the similar products of Taiwan NB. Based on our review of the documents, we noted that the prices (net of discount) and/or terms offered to Eastern Global are in line with the prices and/or terms for similar products offered by the Group to Independent Third Parties. As such, the comparison shows that the products procurement amount received or to be received by the Group from Eastern Global was or would be comparable to, or no less unfavorable than, such amount received or would be received from Independent Third Parties. Hence, we consider that the pricing basis adopted in the Amended Eastern Global Agreement to be fair and reasonable.

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

Set out below are the existing annual caps under the Existing Eastern Global Procurement Agreement and the proposed annual caps under the Amended Eastern Global Agreement.

	1 Jun 2019 to 31 Dec 2019	1 Jan 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Existing annual caps under the Existing Eastern Global Procurement Agreement	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)	NT\$150,000,000 (equivalent to approximately HK\$39,088,966)	NT\$250,000,000 (equivalent to approximately HK\$65,148,277)	NT\$150,000,000 (equivalent to approximately HK\$39,088,966) <i>(Note 1)</i>	Not applicable
Actual transaction amounts	NT\$35,426,320 (equivalent to approximately HK\$9,231,855)	NT\$73,240,811 (equivalent to approximately HK\$19,086,051) <i>(Note 2)</i>	Not applicable	Not applicable	Not applicable
<i>Utilisation rate</i>	50.6%	48.8%	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>
Adjusted annual caps under the Amended Eastern Global Agreement	Not applicable	NT\$140,000,000 (equivalent to approximately HK\$36,483,035) <i>(Note 3)</i>	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)

Note 1: For the period from 1 January 2022 to 31 May 2022.

Note 2: For the period from 1 January 2020 to 31 August 2020.

Note 3: For the period from the amendment effective date to 31 December 2020.

In determining the annual caps under the Amended Eastern Global Agreement, the Group has taken into account (i) the historical amount of purchase made by Eastern Global under the Previous Eastern Global Procurement Agreement, the Expired Eastern Global Procurement Agreement and the Existing Eastern Global Procurement Agreement respectively; (ii) the projected amount of purchase to be made by Eastern Global under the Amended Eastern Global Agreement; (iii) the changes in the price of the products to be purchased; (iv) the Eastern Global Undertakings; (v) the impacts of the outbreak of COVID-19 on the business landscape; and (vi) the plan of Taiwan NB to launch several new products to the market, which is expected to result in a substantial increase in the volume and turnover of the wholesale purchase of Taiwan NB's products by Eastern Global.

LETTER FROM PELICAN

We have obtained and reviewed the Eastern Global Undertakings in which Eastern Global undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Eastern Global Undertakings as a proof that Eastern Global is committed to conducting businesses with the Group and we understand from the Company that Eastern Global is committed to actively advertising the Group's products on its wholesale and retail platforms. Given that one member of the board of directors of Eastern Global, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, we are of the view that the interests of Eastern Global and the Group align and hence it is reasonable to assume that Eastern Global would seek to fulfil the proposed annual caps under the Amended Eastern Global Agreement. Our view is supported by the fact that the actual transaction amount under the Existing Eastern Global Procurement Agreement for the period between January and September 2020 had already reached approximately NT\$78 million, accounting for close to 60% of the annual caps under the Amended Eastern Global Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Amended Eastern Global Agreement to be properly estimated and achievable.

Also, as the Group and Eastern Global have already established business relationship and the products procurement transactions between the Group and Eastern Global have been satisfactory, the continuing engagement between the Group and Eastern Global would continue to provide the Group with an additional distribution channel for its products and hence an opportunity to increase sales.

LETTER FROM PELICAN

In light of the above, we are of the view that the products procurement amount receivable by the Group from the Amended Eastern Global Agreement, as well as the respective proposed annual caps thereunder, are properly estimated, and that the terms thereof are on normal commercial terms 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.

The 2020 CCT Agreements and the 2020 CCT Supplemental Agreements

(iv) ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Retail Procurement Agreement, with ET New Retail, pursuant to which Taiwan NB will engage ET New Retail to sell certain products supplied by Taiwan NB. Taiwan NB shall authorise the sales of the target products to end customers and the use of related promotional materials by ET New Retail; while ET New Retail shall be responsible for the marketing and selling of the target products via channels owned by ET New Retail and other third party channels. On 23 October 2020 (after trading hours), Taiwan NB entered into the ET New Retail Procurement Supplemental Agreement with ET New Retail to amend certain terms of the ET New Retail Procurement Agreement.

Documents obtained and reviewed

In connection with the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out (a) the projected amount of sales of target products receivable by the Group from ET New Retail; (b) the projected amount of costs associated with the marketing, transportation and programme production (“**Costs**”) payable by the Group to ET New Retail; (c) the projected amount of sale commission payable by the Group to ET New Retail; and (d) the projected amount of a royalty fee (“**Royalty**”) receivable by the Group from ET New Retail for the latter’s use of the Trademarks, from the effective date to 31 August 2023; (ii) two Procurement Quotations to Franchisees; and (iii) 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 (a) subject to the market and operation conditions, the annual transaction amount is targeted to reach not less than 70% of the annual caps; and (b) 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 than those offered by Taiwan NB, ET New Retail shall first procure the skincare and beauty products from Taiwan NB (the “**ET New Retail Undertakings**”).

LETTER FROM PELICAN

Basis for determining price and other terms and our analysis

Under the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement, the price of the target products sold by Taiwan NB to ET New Retail shall be set at 50% to 70% discount to the relevant market retail price, and Taiwan NB shall pay ET New Retail for the Costs involved. Meanwhile, Taiwan NB shall pay an annual commission (or reward) to ET New Retail ranging from 3% to 7% of the total annual purchase depending on the amount of the purchase made by ET New Retail. On the other hand, ET New Retail shall pay the Group a Royalty for its licence to use the Trademarks at 3% to 10% of the selling price (before tax; and after deduction of any discount) from the sales of mutually agreed products.

As disclosed in the Board Letter, the parties to the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement determined the pricing term for products procurement by ET New Retail based on the wholesale market prices for similar products and in similar quantities offered by the Group to Independent Third Parties, while the pricing of the Royalty was determined by the parties to the ET New Retail Procurement Agreement based on the market level of royalty rates under similar trademark licence agreements.

In reviewing the pricing basis for products procurement by ET New Retail, we have obtained from the Company two Procurement Quotations to Franchisees, which list out the retail prices of the Taiwan NB's products and the applicable discounts to such retail prices when the independent franchisees purchase in bulk. From our review, the discounts represented by the two Procurement Quotations to Franchisees ranged from approximately 22% to 77%, which is in line with the 50% to 70% range of discount applicable to ET New Retail's product procurement from the Company pursuant to the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement. Hence, we consider such pricing basis under the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement to be fair and reasonable.

Meanwhile, as discussed in the previous sub-section headed "Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II)" of this letter, we have conducted an independent market research and found that the market average commission ranged from 15% to 20% of the selling price in 2019. We have also reviewed two sets of executed historical sales commission agreements entered into between the Company and its independent franchisees, and noted the Company agreed to pay these independent franchisees sales commissions of between 15% to 20% of the selling price, which can be broken down into a basic sales commission of 10% of the selling price and additional commissions when these independent franchisees reach a certain level of sales. Accordingly, the annual commission (or reward) under the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement are comparable to, or no less favourable than, the sales commission the Company currently pays to Independent Third Parties, and hence we consider such pricing term for the annual commission (or reward) to be fair and reasonable.

LETTER FROM PELICAN

In reviewing the pricing term for the Costs, as discussed with the management of the Company, we understand that the Costs are determined based on cost breakdowns as listed out in the Existing Eastern Home Consignment Agreement, given that Eastern Home and ET New Retail have largely similar e-commerce business models and are both owned by EMI. This cost breakdowns include packaging fees, delivery fees, warehouse storage fees, boxes' fees, payment gateway fees etc. We understand from the Company that these costs are quoted by their service providers and from our reviews of these cost breakdowns, we are of the view that these costs and rates are quite customary for e-commerce businesses. Accordingly, we consider such pricing term of the Costs to be fair and reasonable.

In reviewing the pricing basis for the Royalty, as discussed in the previous sub-section headed "Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II)" of this letter, we have conducted an independent market research and found that the market royalty rates ranged from 0.3% to 15%, with an average royalty rate of approximately 4.1%, which is in line with the Royalty rate of 3% to 10% of the selling price and hence we consider the pricing basis for the Royalty under the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement to be fair and reasonable.

Basis for determining the annual caps and our analysis

Set out below are the respective proposed annual caps under the ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for products procurement (covering the annual reward) 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)
Annual caps for 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)
Annual caps for 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)

LETTER FROM PELICAN

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Revised annual caps for products procurement (covering the annual reward) 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)
Revised annual caps for 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)
Revised annual caps for 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)

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the ET New Retail Procurement Supplemental Agreement, the parties agreed to adjust the respective proposed annual caps under the ET New Retail Procurement Agreement downwards by approximately 30%.

The transactions contemplated under the ET New Retail Procurement Agreement (as amended by the ET New Retail Procurement Supplemental Agreement) are new cooperation between Taiwan NB and ET New Retail, as such no historical transaction amount is available. In determining the revised annual caps for the amount of sales (including the annual commission), Costs and Royalty under the ET New Retail Procurement Supplemental Agreement, the Group has taken into (i) account the projected amount of sales of target products, annual commission and Royalty under the ET New Retail Procurement Supplemental Agreement; (ii) the projected amount of Costs based on the projected sales of target products; (iii) the ET New Retail Undertakings; and (iv) the impacts of the outbreak of COVID-19 on the business landscape.

LETTER FROM PELICAN

We have obtained and reviewed the ET New Retail Undertakings in which ET New Retail undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the ET New Retail Undertakings as proof that ET New Retail is committed to conducting businesses with the Group and we understand from the Company that ET New Retail (a wholly-owned subsidiary of Eastern Home) is committed to actively advertising the Group's products on its e-commerce channels. Given that the single largest ultimate beneficial owner of ET New Retail was EMI, which is the Group's controlling shareholder, we are of the view that the interests of ET New Retail and the Group align and hence it is reasonable to assume that ET New Retail would seek to fulfil the proposed annual caps for products procurement (covering the annual reward) under the ET New Retail Procurement Supplemental Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products (including the annual commission) and the Royalty pursuant to the ET New Retail Procurement Supplemental Agreement to be properly estimated and achievable.

LETTER FROM PELICAN

As discussed in the previous sub-section headed “Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II)” of this letter, because of the anticipated high transaction amounts in the coming years pursuant to the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II), as well as the already established business relationship between the Group and Eastern Home, Eastern Home is willing and able to offer a 50% discount to the Group on the Costs. However, given that ET New Retail is a newly established company and despite being owned by EMI as is Eastern Home, they operate independently and hence ET New Retail is less able to offer the Group with similar discounts on the Costs, especially when the anticipated transaction amounts in the coming years pursuant to the ET New Retail Procurement Supplemental Agreement are much lower than those pursuant to the Amended Eastern Home Agreement. As a result, the Costs involved from selling its products through ET New Retail’s e-commerce channels in Taiwan account for between 20% to 30% of the sales value, a range comparable to the costs involved in selling its products through other third-party’s sales channel of between 10-30% of the corresponding sales value. Accordingly, we consider the revised proposed annual caps for the Costs to be properly estimated. Also, the engagement between the Group and ET New Retail would allow the Group to sell “Natural Beauty” products via the well-established sales channels of ET New Retail and increase the exposure of the “Natural Beauty” brand and products by leveraging on the extensive sales channels operated by ET New Retail. As a result, the entering into of the ET New Retail Procurement Supplemental 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 Costs payable and the sales (including the annual commission) and Royalty receivable by the Group, as well as the respective proposed annual caps under the ET New Retail Procurement Supplemental Agreement, are properly estimated, and that the terms thereof are on normal commercial terms 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) *Focus Media Cooperation and Procurement Agreement and Focus Media Cooperation and Procurement Supplemental Agreement*

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Focus Media Cooperation and Procurement Agreement with Focus Media, pursuant to which Taiwan NB agrees to engage Focus Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhancing the brand image of “Natural Beauty” and to raise public awareness on the brand; supply and sell Taiwan NB's products to Focus Media; and authorise the sales of the target products to end customers and the use of related promotional materials by Focus Media; while Focus Media agrees to produce, publish and broadcast advertisements and to organise media events, and market and sell the target products via channels owned by Focus Media and third party channels. On 23 October 2020 (after trading hours), Taiwan NB entered into the Focus Media Cooperation and Procurement Supplemental Agreement with Focus Media to adjust the proposed annual caps under the Focus Media Cooperation and Procurement Agreement.

LETTER FROM PELICAN

Documents obtained and reviewed

In connection with the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected aggregate advertising fees payable by the Group to Focus Media from the effective date to 31 August 2023; (ii) a schedule setting out the projected amount of sales of target products to Focus Media from the effective date to 31 August 2023; (iii) two sets of market quotation samples for similar advertising services offered by Independent Third Parties; (iv) two Procurement Quotations to Franchisees; and (v) 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 (a) subject to the market and operation conditions, the annual transaction amount for product procurement is targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 than those offered by Taiwan NB, Focus Media shall first procure the skincare and beauty products from Taiwan NB (the “**Focus Media Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement, for each advertising project, Focus Media shall offer at least 50% discount to the list price of such project (being prices Focus Media offer to its clients which are Independent Third Parties), while for each products procurement transaction, Taiwan NB shall sell its products to Focus Media at a 50% to 70% discount to their retail price.

The parties to the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement determined the pricing term for the advertising services based on their intention to minimise the advertising costs for Taiwan NB while remaining sufficient to cover the costs to be incurred by Focus Media. Regarding the pricing term for the products procurement, the parties to the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement determined the pricing term thereunder based on the wholesale market prices for products similar to those target products to be sold under the agreement and in similar quantities offered by the Company to Independent Third Parties.

In this regard, we have obtained from the Company two sets of market quotation samples for similar advertising services offered to the Company by Independent Third Parties. Since there is no discount represented by these quotation samples, they are less favourable than the pricing term for the advertising services under the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement and hence we consider such pricing basis under the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement to be fair and reasonable.

LETTER FROM PELICAN

In reviewing the pricing basis for products procurement by Focus Media, we have obtained from the Company two Procurement Quotations to Franchisees, which list out the retail prices of the Taiwan NB's products and the applicable discounts to retail prices which the franchisees purchase in bulk. The discounts represented by the two Procurement Quotations to Franchisees ranged from 22% to 77%, which is in line with the 50% to 70% discount pricing term for products procurement by Focus Media and hence we consider such pricing basis under the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement to be fair and reasonable.

Basis for determining the annual caps and our analysis

Set out below are the respective proposed annual caps under the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for advertising services 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)
Annual caps for 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)
Revised annual caps for advertising services 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)

LETTER FROM PELICAN

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Revised annual caps for 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)

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Focus Media Cooperation and Procurement Supplemental Agreement, the parties agreed to adjust the proposed annual caps under the Focus Media Cooperation and Procurement Agreement downwards by approximately 30%. 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.

The transactions contemplated under the Focus Media Cooperation and Procurement Agreement (as amended by the Focus Media Cooperation and Procurement Supplemental Agreement) are new cooperation between Taiwan NB and Focus Media, as such no historical transaction amount is available. In determining the revised annual caps for advertising services and products procurement under the Focus Media Cooperation and Procurement Supplemental Agreement, the Group has taken into account (i) the marketing plan and campaigns of Taiwan NB, in which Taiwan NB would launch a new product line and deploy new advertising projects (e.g. engaging KOLs to interact with local consumers on social media platforms through Focus Media, together with other content and experimental marketing strategies through the channels of Focus Media); (ii) the advertising volume that Taiwan NB is expected to purchase from Focus Media; (iii) the projected amount of sales of target products to Focus Media, during the term of the Focus Media Cooperation and Procurement Supplemental Agreement; (iv) the Focus Media Undertakings; and (v) the impacts of the outbreak of COVID-19 on the business landscape.

We have obtained and reviewed the Focus Media Undertakings in which Focus Media undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Focus Media Undertakings as proof that Focus Media is committed to conducting businesses with the Group and we understand from the Company that Focus Media is committed to actively advertising the Group's products on its e-commerce channels. Given that Focus Media is a related party of EMI under the laws of Taiwan, and EMI is the Group's controlling shareholder, we are of the view that the interests of Focus Media and the Group align and hence it is reasonable to assume that Focus Media would seek to fulfil the proposed annual caps for products procurement under the Focus Media Cooperation and Procurement Supplemental Agreement.

LETTER FROM PELICAN

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Focus Media Cooperation and Procurement Supplemental Agreement to be properly estimated and achievable.

We have also discussed with the management the basis of the estimation of the advertising fee payable to Focus Media from the effective date to 31 August 2023 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 during the same period. In particular, we have reviewed the advertising budgets of the Group for the four years ending 31 December 2023 and noted that the proposed annual caps for advertising services pursuant to the Focus Media Cooperation and Procurement Supplemental Agreement account for between 5% to 6% of the Group's corresponding annual advertising budgets, which we consider as fair and reasonable.

Also, the appointment of Focus Media to provide the Group with advertising services would promote the "Natural Beauty" brand and products by utilising the marketing expertise of Focus Media. As a result, the Focus Media Cooperation and Procurement Supplemental 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 Focus Media Cooperation and Procurement Supplemental Agreement and the terms thereof are on normal commercial terms and the fees payable and sales receivable therefrom as well as the respective proposed annual caps under the Focus Media Cooperation and Procurement Supplemental 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.

LETTER FROM PELICAN

(vi) Eastern Global HK Procurement Agreement and Eastern Global HK Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Eastern Global HK Procurement Agreement with Eastern Global HK, pursuant to which Eastern Global HK may from time to time make wholesale purchase of products from NB China such as food, cosmetic products, and NB China shall sell such products to Eastern Global HK at a certain discount to the relevant retail price. On 23 October 2020 (after trading hours), NB China entered into the Eastern Global HK Procurement Supplemental Agreement with Eastern Global HK to adjust annual caps under the Eastern Global HK Procurement Agreement.

Documents obtained and reviewed

In connection with the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of NB China products to Eastern Global HK from the effective date to 31 August 2023; (ii) two Procurement Quotations to Franchisees; and (iii) 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 (a) subject to the market and operation conditions, the annual transaction is targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 than those offered by NB China, Eastern Global HK shall first procure the skincare and beauty products from NB China (the “**Eastern Global HK Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement, the price of products sold by NB China to Eastern Global HK shall be set at a 50% to 70% discount to the relevant market retailing price. Such pricing term was determined by the parties to the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties.

In this regard, we have obtained from the Company two Procurement Quotations to Franchisees. The discounts represented by the two Procurement Quotations to Franchisees ranged from 22% to 77%, which is in line with the 50% to 70% discount pricing term under the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement and hence we consider such pricing term under the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement to be fair and reasonable.

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps under the Eastern Global HK Procurement Agreement and the Eastern Global HK Procurement Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for products procurement under the Eastern Global HK Procurement Agreement	HK\$7,500,000	HK\$15,000,000	HK\$25,000,000	HK\$37,500,000
Revised annual caps for products procurement under the Eastern Global HK Procurement Supplemental Agreement	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Global HK Procurement Supplemental Agreement, the parties agreed to adjust the proposed annual caps under the Eastern Global HK Procurement Agreement downwards by approximately 30%. Save for the downward adjustment of the proposed annual caps as set out above, no further change has been stipulated in the Eastern Global HK Procurement Supplemental Agreement.

The transactions contemplated under the Eastern Global HK Procurement Agreement (as amended by the Eastern Global HK Procurement Supplemental Agreement) are new cooperation between NB China and Eastern Global HK, as such no historical transaction amount is available. In determining the revised annual caps for the aggregate amount of goods to be purchased under the Eastern Global HK Procurement Supplemental Agreement, the Group has taken into account (i) the projected purchase amount of goods under the Eastern Global HK Procurement Supplemental Agreement; (ii) the Eastern Global HK Undertakings; and (iii) the impacts of the outbreak of COVID-19 on the business landscape.

We have obtained and reviewed the Eastern Global HK Undertakings in which Eastern Global HK undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Eastern Global HK Undertakings as a proof that Eastern Global HK is committed to conducting businesses with the Group and we understand from the Company that Eastern Global HK (a wholly-owned subsidiary of Eastern Global) is committed to actively advertising the Group's products on its wholesale and retail platforms.

LETTER FROM PELICAN

Given that one member of the board of directors of Eastern Global, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, we are of the view that the interests of Eastern Global HK and the Group align and hence it is reasonable to assume that Eastern Global HK would seek to fulfil the proposed annual caps under the Eastern Global HK Procurement Supplemental Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Eastern Global HK Procurement Supplemental Agreement, as well as the proposed annual caps, to be properly estimated and achievable.

Also, the engagement between the Group and Eastern Global HK would allow the Group to sell "Natural Beauty" products via the well-established sales channels of Eastern Global HK and increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by Eastern Global HK. As a result, the entering into of the Eastern Global HK Procurement Supplemental 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 Eastern Global HK Procurement Supplemental Agreement and the terms thereof are on normal commercial terms and the sales receivable therefrom as well as the proposed annual caps under the Eastern Global HK Procurement Supplemental 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.

LETTER FROM PELICAN

(vii) Eastern Zhenyu Procurement Agreement and Eastern Zhenyu Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Zhenyu Procurement Agreement with Eastern Zhenyu, pursuant to which Eastern Zhenyu may from time to time make wholesale purchase of products from NB Shanghai such as food, cosmetic products, and NB Shanghai shall sell such products to Eastern Zhenyu at a certain discount to the relevant retail price. On 23 October 2020 (after trading hours), NB Shanghai entered into the Eastern Zhenyu Procurement Supplemental Agreement with Eastern Zhenyu to adjust annual caps under the Eastern Zhenyu Procurement Agreement.

Documents obtained and reviewed

In connection with the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of NB Shanghai products to Eastern Zhenyu from the effective date to 31 August 2023; (ii) two Procurement Quotations to Franchisees; and (iii) 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 (a) subject to the market and operation conditions, the annual transaction amount under the Eastern Zhenyu Procurement Agreement is targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 than those offered by NB Shanghai, Eastern Zhenyu shall first procure the skincare and beauty products from NB Shanghai (the “**Eastern Zhenyu Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement, the price of products sold by NB Shanghai to Eastern Zhenyu shall be at 50% to 70% discount to the relevant market retailing price. Such pricing term was determined by the parties to the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties.

In this regard, we have obtained from the Company two Procurement Quotations to Franchisees. The discounts represented by the two Procurement Quotations to Franchisees ranged from 22% to 77%, which is in line with the 50% to 70% pricing term under the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement and hence we consider such pricing term under the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement to be fair and reasonable.

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps under the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for products procurement 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 annual caps for products procurement 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)

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Zhenyu Procurement Supplemental Agreement, the parties agreed to adjust the proposed annual caps under the Eastern Zhenyu Procurement Agreement downward by approximately 30%. 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.

The transactions contemplated under the Eastern Zhenyu Procurement Agreement (as amended by the Eastern Zhenyu Procurement Supplemental Agreement) are new cooperation between NB Shanghai and Eastern Zhenyu, as such no historical transaction amount is available. In determining the revised annual caps for the aggregate amount of goods to be purchased under the Eastern Zhenyu Procurement Supplemental Agreement, the Group has taken into account (i) the projected purchase amount of goods under the Eastern Zhenyu Procurement Agreement; (ii) the Eastern Zhenyu Undertakings; and (iii) the impacts of the outbreak of COVID-19 on the business landscape.

We have obtained and reviewed the Eastern Zhenyu Undertakings in which Eastern Zhenyu undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Eastern Zhenyu Undertakings as a proof that Eastern Zhenyu is committed to conducting businesses with the Group and we understand from the Company that Eastern Zhenyu is committed to actively advertising the Group's products on its e-commerce channels. Given that Eastern Zhenyu is indirectly wholly-owned by Mr. Chao

LETTER FROM PELICAN

Shih Heng, who is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, we are of the view that the interests of Eastern Zhenyu and the Group align and hence it is reasonable to assume that Eastern Zhenyu would seek to fulfil the proposed annual caps under the Eastern Zhenyu Procurement Supplemental Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Eastern Zhenyu Procurement Supplemental Agreement, as well as the proposed annual caps, to be properly estimated and achievable.

Also, the engagement between the Group and Eastern Zhenyu would allow the Group to sell "Natural Beauty" products via the well-established sales channels of Eastern Zhenyu and increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by Eastern Zhenyu. As a result, the entering into of the Eastern Zhenyu Procurement Supplemental 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 Eastern Zhenyu Procurement Supplemental Agreement and the terms thereof are on normal commercial terms and the sales receivable therefrom as well as the proposed annual caps under the Eastern Zhenyu Procurement Supplemental 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.

LETTER FROM PELICAN

(viii) Strawberry Procurement Agreement and Strawberry Procurement Supplemental Agreement

On 22 July 2020 (after trading hours), NB China, a direct wholly-owned subsidiary of the Company, entered into the Strawberry Procurement Agreement with Strawberry, pursuant to which Strawberry may from time to time make wholesale purchase of products from NB China such as food, cosmetic products, and NB China shall sell such products to Strawberry at a certain discount to the relevant retail price. On 23 October 2020 (after trading hours), NB China entered into the Strawberry Procurement Supplemental Agreement with Strawberry to adjust annual caps under the Strawberry Procurement Agreement.

Documents obtained and reviewed

In connection with the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of NB China products to Strawberry from the effective date to 31 August 2023; (ii) two sets of advertising discounts quotation sample for similar products and in similar quantities offered by the Group to Independent Third Parties; and (iii) 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 (a) subject to the market and operation conditions, the annual transaction amount under the Strawberry Procurement Agreement is targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 (the “**Strawberry Undertakings**”).

Basis for determining price and other terms and our analysis

Under the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement, the price of products sold by NB China to Strawberry shall be set at 50% to 70% discount to the relevant market retailing price. Such pricing term was determined by the parties to the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties.

In this regard, we have obtained from the Company two Procurement Quotations to Franchisees. The discounts represented by the two Procurement Quotations to Franchisees ranged from 22% to 77%, which is in line with the 50% to 70% pricing term under the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement and hence we consider such pricing term under the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement to be fair and reasonable.

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps under the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for products procurement under the Strawberry Procurement Agreement	HK\$7,500,000	HK\$15,000,000	HK\$25,000,000	HK\$37,500,000
Revised annual caps for products procurement under the Strawberry Procurement Supplemental Agreement	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Strawberry Procurement Supplemental Agreement, the parties agreed to adjust the proposed annual caps under the Strawberry Procurement Agreement downwards by approximately 30%. 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.

The transactions contemplated under the Strawberry Procurement Agreement (as amended by the Strawberry Procurement Supplemental Agreement) are new transactions, as such no historical transaction amount is available. In determining the revised annual caps for aggregate amount of goods to be purchased under the Strawberry Procurement Supplemental Agreement, the Group has taken into account (i) the projected amount of goods to be purchased by Strawberry under the Strawberry Procurement Supplemental Agreement; (ii) the Strawberry Undertakings; and (iii) the impacts of the outbreak of COVID-19 on the business landscape.

We have obtained and reviewed the Strawberry Undertakings in which Strawberry undertakes that the annual aggregate transaction amount for products procurement shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Strawberry Undertakings as a proof that Strawberry is committed to conducting businesses with the Group and we understand from the Company that Strawberry (a direct non-wholly owned subsidiary of Eastern Home owned directly as to 76% of its shareholding by Eastern Home) is committed to actively advertising the Group's products on its

LETTER FROM PELICAN

e-commerce channels. Given that the single largest ultimate beneficial owner of Strawberry was EMI, which is the Group's controlling shareholder, we are of the view that the interests of Strawberry and the Group align and hence it is reasonable to assume that Strawberry would seek to fulfil the proposed annual caps under the Strawberry Procurement Supplemental Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Strawberry Procurement Supplemental Agreement, as well as the proposed annual caps, to be properly estimated and achievable.

Also, the engagement between the Group and Strawberry would allow the Group to sell "Natural Beauty" products via the well-established sales channels of Strawberry and increase the exposure of the "Natural Beauty" brand and products by leveraging on the extensive sales channels operated by Strawberry. As a result, the entering into of the Strawberry Procurement Supplemental 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 Strawberry Procurement Supplemental Agreement and the terms thereof are on normal commercial terms and the sales receivable therefrom as well as the proposed annual caps under the Strawberry Procurement Supplemental 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.

LETTER FROM PELICAN

(ix) Eastern Home Franchise Agreement and Eastern Home Franchise Supplemental Agreement

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Eastern Home Franchise Agreement with Eastern Home, pursuant to which Taiwan NB agreed to grant Eastern Home a non-exclusive licence to use certain Trademarks in respect of certain skin care products and provide Eastern Home with consultancy services in connection with Eastern Home's operation and management of spa business under the brand name "Natural Beauty". On 23 October 2020 (after trading hours), Taiwan NB entered into the Eastern Home Franchise Supplemental Agreement with Eastern Home to adjust annual caps under the Eastern Home Franchise Agreement.

Documents obtained and reviewed

In connection with the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of target products to Eastern Home from the effective date to 31 August 2023; (ii) two Procurement Quotations to Franchisees; (iii) the 5-year business plans of Eastern Home; and (iv) the letter of undertakings issued by Eastern Home to Taiwan NB dated 23 October 2020 whereby Eastern Home would use commercially reasonable endeavours to ensure that (a) subject to the market and operation conditions, the annual transaction amount for product procurement and trademark licence are targeted to reach not less than 70% of the adjusted annual caps; and (b) 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 than those offered by Taiwan NB, Eastern Home shall first procure the skincare and beauty products from Taiwan NB (the "**Eastern Home Franchise Undertakings**").

Basis for determining price and other terms and our analysis

Under the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement, the price of products sold by Taiwan NB to Eastern Home shall be set at the same pricing of other franchisees, which varies from time to time ranging from 50% to 70% discount to the relevant market retailing price. Such pricing term was determined by the parties to the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties.

In this regard, we have obtained from the Company two Procurement Quotations to Franchisees. The discounts represented by the two Procurement Quotations to Franchisees ranged from 22% to 77%, which is in line with the 50% to 70% pricing term under the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement and hence we consider such pricing term under the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement to be fair and reasonable. Also, since we were given to understand that most franchisees are Independent Third Parties, we are of the view that such pricing term under the Eastern Home Franchise

LETTER FROM PELICAN

Agreement and the Eastern Home Franchise Supplemental Agreement is fair and reasonable as it would ensure the prices offered by the Group to Eastern Home would be no less unfavourable than those offered by the Group to Independent Third Parties.

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps under the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement.

	Effective date to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2022 to 31 Dec 2022	1 Jan 2023 to 31 Aug 2023
Annual caps for products procurement 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 annual caps for products procurement 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)

Given the impacts of the outbreak of COVID-19 on the business landscape, pursuant to the terms of the Eastern Home Franchise Supplemental Agreement, parties agreed to adjust the proposed annual caps under the Eastern Home Franchise Agreement downwards by approximately 30%. 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.

The transactions contemplated under the Eastern Home Franchise Agreement (as amended by the Eastern Home Franchise Supplemental Agreement) are new transactions, as such no historical transaction amount is available. In determining the revised annual caps for aggregate amount of goods to be purchased under the Eastern Home Franchise Supplemental Agreement, the Group has taken into account (i) the projected purchase amount of goods under the Eastern Home Franchise Supplemental Agreement based on the 5-year business plans of Eastern Home; (ii) the Eastern Home Franchise Undertakings; and (iii) the impacts of the outbreak of COVID-19 on the business landscape.

We have obtained and reviewed the Eastern Home Franchise Undertakings in which Eastern Home undertakes that the annual aggregate transaction amount for products procurement and trademark licence shall not be less than 70% of the relevant proposed annual caps and they were found to be proper. We consider the Eastern Home Franchise Undertakings as proof that Eastern Home is committed to conducting businesses with the

LETTER FROM PELICAN

Group and we understand from the Company that Eastern Home is committed to actively advertising the Group's products on its TV shopping and e-commerce channels. Given that the single largest ultimate beneficial owner of Eastern Home was EMI, which is the Group's controlling shareholder, we are of the view that the interests of Eastern Home and the Group align and hence it is reasonable to assume that Eastern Home would seek to fulfil the proposed annual caps under the Eastern Home Franchise Supplemental Agreement.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2023, and noted that although the Company expected to generate substantial revenue independently by itself through its sale of skin care and beauty products and provision of beauty treatments and spa services at its own stores and those of its franchisees, it also expected to derive a large part of its revenue through its strategic cooperation relationship with members of the EMI Group and parties connected with Insbro, a substantial shareholder of the Company. We noted that these parties, namely Eastern Home, Eastern Global, Eastern New Retail, Focus Media, Eastern Global HK, Eastern Zhenyu and Strawberry have been sharing, or will start to share, with the Group their respective target annual sales of the Group's products (usually quarterly when these parties plan to increase such sales target), so to ensure that the Group is informed of the goals of their strategic cooperation relationship and that the Group has sufficient amount of targets products available for these parties. Upon receiving such information, the Group would derive the revenue it expects to receive from these sales and compile such information into its financial forecast, which would in turn be tabled, together with the aforementioned parties' financial forecasts, at a strategic meeting that is held at least twice a year. We understand that the goal of these strategic meetings is to ensure the parties' financial forecasts, i.e. sales targets, are achievable. Given that through their strategic cooperation relationship, these parties' respective target annual sales of the Group's products have been, and will continue to be, arrived at based on discussion and hence mutual consent, we consider the projected amount of sales of target products pursuant to the Eastern Home Franchise Supplemental Agreement, as well as the proposed annual caps to be properly estimated and achievable.

As discussed in the above sub-section headed "Eastern Home Supplemental Agreement and Eastern Home Supplemental Agreement (II)" of this letter, the Group and Eastern Home have already established business relationship and the continuing engagement with Eastern Home 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 Eastern Home Franchise Supplemental 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 Eastern Home Franchise Supplemental Agreement and the terms thereof are on normal commercial terms and the sales receivable therefrom as well as the proposed annual caps under the Eastern Home Franchise Supplemental 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.

LETTER FROM PELICAN

4. Internal Control Measures

In respect of each transaction contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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). To ensure that the terms of each of the sales contracts (for both revenue and expense in nature) proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms so far as the independent Shareholders are 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, 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 to ensure that the price and terms as agreed are fair and reasonable and no less favorable than those offered by Independent Third Parties or no more favourable than those offered to Independent Third Parties and in accordance with the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements and the pricing policies of the Company through the above-mentioned process;
- (iv) the internal accounting department of the Company shall be responsible for reviewing and assessing quarterly the internal control procedures of the Group, including but not limited to the relevant information in relation to the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements. In addition, the internal accounting department shall prepare a quarterly internal control report, which specifies the aggregate transaction amounts of the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements incurred in that quarter, and shall submit such report to the chief financial officer of the Company for her review before further passing it to the audit committee for its review. If and when the chief financial officer of the Company or the audit committee becomes aware of any signs of deficiency in the internal control system or that the actual aggregate transaction amount of any transaction under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements will soon exceed its annual cap for

LETTER FROM PELICAN

the relevant quarter, he/she/it shall ensure that appropriate internal control procedures would be immediately restored and no further transactions in respect of that particular transaction shall be carried out for the remainder of the contract terms;

- (v) the auditors of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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 Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements; and
- (vii) the independent non-executive Directors will conduct an annual review of the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements to ensure that the transactions contemplated thereunder respectively are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In considering whether the above internal control measures and procedures are adequate and effective, we have walked through the internal control systems with four relevant transactions under each of the Existing CCT Agreements which involved historical transactions and obtained relevant supporting documents including, amongst others, the approvals from the operational team head, and records of the actual transaction amounts incurred. Based on our review of the information and 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 prices and terms.

Further, given that (i) each individual agreement or sales contract in respect of the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements (for both revenue and expense in nature) with the connected persons will continue to be compared with the prices 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 Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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 of the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental Agreements are not exceeded from time to time; and (iv) the pricing and the annual caps of the transactions contemplated under the Amended Existing CCT Agreements and the 2020 CCT Agreements as amended by the 2020 CCT Supplemental 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 and procedures adopted by the Group will ensure that the prices 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 prices and terms. We are also of the view that these internal control measures and procedures are adequate and effective in monitoring the annual caps.

LETTER FROM PELICAN

5. Principal terms of the Transfer of Spa Business Agreement and our analysis

On 22 July 2020 (after trading hours), Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the Transfer of Spa Business Agreement with Eastern Home, pursuant to which Taiwan NB agreed to sell, and Eastern Home agreed to purchase the Spa Business at the consideration of NT\$37,436,889 (excluding tax) (equivalent to approximately HK\$9,755,795).

The consideration under the Transfer of Spa Business Agreement of NT\$37,436,889 (excluding tax) (equivalent to approximately HK\$9,755,795) was determined by the parties to the Transfer of Spa Business Agreement after arm's length negotiations with reference to the value of the Spa Business as appraised by the Valuer of approximately NT\$78,639,291 (equivalent to approximately HK\$20,492,857) as of 30 June 2020 and the carrying amount of liabilities from operating activities generated by advance payments made by customers when they purchase beauty and/or spa treatment packages, of approximately NT\$41,202,402 (equivalent to approximately HK\$10,737,062) as of 30 June 2020. Given that upon the transfer of the Spa Business from the Group to Eastern Home, Eastern Home shall be responsible for providing the relevant beauty and/or spa treatments to customers who have made the advance payments, and hence will incur additional costs in operating the Spa Business, the parties to the Transfer of Spa Business Agreement had agreed to deduct such liabilities from the appraised value of the Spa Business in determining the consideration. Taking into account that (i) the consideration under the Transfer of Spa Business Agreement is equivalent to the valuation of the Spa Business as evaluated by the Valuer minus the carrying amount of liabilities from operating activities of the Spa Business as of 30 June 2020; and (ii) the Transfer of Spa Business Agreement will improve the Group's asset turnover rate and generate additional cash inflow, which would enhance the Group's ability to focus on other areas of business, we concur with the Directors that the consideration under the Transfer of Spa Business Agreement is fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

The Transfer of Spa Business Agreement shall only become effective upon the Company having obtained the approval of the independent Shareholders at the EGM of the Company.

The valuation

In order to assess the basis in determining the consideration of the Spa Business, we have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Valuer's experiences in valuing entities in Taiwan similar to the Spa Business; (ii) obtaining information on the Valuer's track records on other business valuations; (iii) inquiry on the Valuer's current and prior relationship with the Group and other parties to the Transfer of Spa Business Agreement; (iv) review of the terms of the Valuer's engagement, in particular its scope of work, for the assessment of the Spa Business; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

LETTER FROM PELICAN

In this regard, we have reviewed and enquired the qualification and experience of the Valuer, and noted that the Valuer is a qualified asset appraisal firm which performs valuation works in Taiwan. We have discussed with Mr. Ivan Chen (“**Mr. Chen**”), the deputy general manager of the Valuer who is in charge of the valuation of the Spa business about the his valuation experiences and understood that Mr. Chen is a registered appraiser in Taiwan who has many years of experience in business valuation in Taiwan. Given that the Valuer is a qualified asset appraisal firm in Taiwan and Mr. Chen is well experienced in business valuation in Taiwan, we are of the view that the Valuer is qualified to provide a reliable valuation of the Spa Business which is located in Taiwan. We understand from the Valuer that it is independent from the Company and the other parties involved in the Transfer of Spa Business Agreement. In addition, we have reviewed the terms of the engagement for the valuation and noted that the scope of work is appropriate for the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and that the Valuer is independent from the parties to the Transfer of Spa Business Agreement and is qualified to conduct a valuation of the Spa Business.

(i) Valuation methodology

We have discussed with the Valuer and understand that in conducting the valuation of the Spa Business, the Valuer has considered various valuation approaches. We have reviewed the Valuation Report and noted that the Valuer considered the cost approach as the most appropriate valuation methodology in valuating the Spa Business, given that the cost approach is more proper for valuating equipment that has insufficient information on its market transaction. Under the cost approach, value is established based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

As further discussed below, in appraising the Spa Business using the cost approach, the Valuer had appraised the operating assets of the Spa Business which mainly included (i) equipment and leasehold improvements; (ii) prepayments for equipment and construction in progress; and (iii) unrecognised construction in progress. Since the amounts for the prepayment for equipment and construction in progress as well as the unrecognised construction in progress to be received in the foreseeable future, which compose a large part of the operating assets being valued, are approximate to their carrying amounts, after discussing with the management of the Company, the Valuer considered that the carrying amounts of these items should equal their fair value, or market value.

On the other hand, according to the Valuation Report, given the difficulty in predicting the cash flow to be generated from the Spa Business’s individual equipment, the Valuer considered that the income approach is not appropriate for valuating the Spa Business. The market approach is also less preferred compared to the cost approach, as from our discussion with the Valuer, we understand that most beauty and spa salons in Taiwan are private companies and hence there was not enough public information on their financial performance for the Valuer to conduct a comparable analysis when valuing the Spa Business. In light of the above, we agree with the Valuer that the adoption of the cost approach is most appropriate for appraising the Spa Business.

LETTER FROM PELICAN

(ii) *Valuation conclusion*

According to the Valuation Report, as at 30 June 2020, (i) the carrying amount and appraised fair value of equipment and leasehold improvements of the Spa Business amounted to approximately NT\$58,227,215 (equivalent to approximately HK\$15,173,611) and NT\$57,932,000 (equivalent to approximately HK\$15,096,680) respectively; (ii) the carrying amount and appraised fair value of prepayments for equipment and construction in progress both amounted to approximately NT\$9,019,517 (equivalent to approximately HK\$2,350,424); and (iii) the carrying amount and appraised fair value of unrecognised construction in progress both amounted to approximately NT\$11,687,774 (equivalent to approximately HK\$3,045,753).

Set out below are the results of the valuation of the operating assets of the Spa Business as at 30 June 2020.

Item	Carrying amount <i>NT\$</i>	Appraised fair value <i>NT\$</i>	Difference <i>NT\$</i>	% of change %
The equipment and leasehold improvements	58,227,215	57,932,000	-295,215	-0.51
The prepayments for equipment and construction in progress	9,019,517	9,019,517	0	0.00%
The unrecognised construction in progress	11,687,774	11,687,774	0	0.00%
Total	78,934,506	78,639,291	-295,215	-0.37%

Source: the Valuation Report

As illustrated above, the appraised value of the operating assets of the Spa Business amounted to approximately NT\$78,639,291 (equivalent to approximately HK\$20,492,857) as at 30 June 2020, representing a slight decrease of approximately 0.37% compared to the net carrying amount of the operating assets of the Spa Business, which we understand was mainly due to the impairment and deterioration of equipment and leasehold improvements as a result of the years of use of these assets.

According to the Valuation Report, there were 570 items of equipment and leasehold improvements in the operating assets of the Spa Business as at 30 June 2020. We understand that the Valuer conducted a site survey to verify the details of these assets when appraising the Spa Business, and hence we consider that its valuation was formed on a fair and reasonable basis.

LETTER FROM PELICAN

(iii) Our view

Having considered the independence, qualification and experience of the Valuer and the application of the relevant valuation methodology, we are of the view that the valuation of the Spa Business was carried out on a fair and reasonable ground by the Valuer and accordingly, we consider the Valuation Report provides a fair and reasonable reference for independent Shareholders to assess the fairness and reasonableness of the market value of the Spa Business, and that the consideration under the Transfer of Spa Business Agreement, which is equivalent to the appraised value of the Spa Business minus the carrying amount of liabilities from operating activities of the Spa Business as of 30 June 2020, to be fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that while the entering into of the Transfer of Spa Business Agreement is not in the ordinary and usual course of business of the Group, the entering into of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II) and the 2020 CCT Supplemental Agreements is in the ordinary and usual course of business of the Group. Meanwhile, the terms of the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable) are on normal commercial terms, 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 resolutions to be proposed at the EGM regarding the Supplemental Agreements, the 2020 CCT Agreements, the Supplemental Agreements (II), the 2020 CCT Supplemental Agreements, the Transfer of Spa Business Agreement and the transactions contemplated thereunder respectively (including the annual caps, where applicable).

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing 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.

At the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholder 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	Approximate percentage of interests in the total number of issued shares <i>(Note 1)</i>
Eastern Media International Corporation (“EMIC”) <i>(Note 2)</i>	Interest of controlled companies	600,630,280	30.00%
Far Eastern Silo & Shipping (Panama) S.A. <i>(Note 2)</i>	Beneficial owner	600,630,280	30.00%
Chao Shih-Heng <i>(Note 3)</i>	Interest of controlled companies	455,630,196	22.76%
Good Titanic Limited <i>(Note 3)</i>	Interest of controlled companies	455,630,196	22.76%
Insbro Holdings Limited <i>(Note 3)</i>	Beneficial owner	455,630,196	22.76%
Tsai Yen-Yu <i>(Note 4)</i>	Interest of controlled companies	445,315,083	22.24%
Lee Ming-Ta <i>(Note 5)</i>	Interest of spouse	445,315,083	22.24%
Next Focus Holdings Limited <i>(Note 6)</i>	Beneficial owner/ Interest of controlled companies	445,315,083	22.24%
Starsign International Limited <i>(Note 6)</i>	Interest of controlled companies	292,958,524	14.63%

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interests in the total number of issued shares (Note 1)
Standard Cosmos Limited (Note 6)	Beneficial owner/ Interest of controlled companies	292,958,524	14.63%

Notes:

1. There were 2,002,100,932 Shares of the Company in issue at the Latest Practicable Date.
2. As at the Latest Practicable Date, Far Eastern Silo & Shipping (Panama) S.A. was a wholly-owned subsidiary of EMIC. As such, the shares of the Company in which Far Eastern Silo & Shipping (Panama) S.A. is interested were attributable to EMIC.
3. 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 of the Company in which Insbro Holdings Limited is interested were attributable to Good Titanic Limited and Mr. Chao Shih-Heng.
4. 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 of the Company owned by Next Focus Holdings Limited was attributable to Dr. Tsai Yen-Yu.
5. 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 of the Company attributable to Dr. Tsai Yen-Yu pursuant to the SFO.
6. As at the Latest Practicable Date, Next Focus Holdings Limited directly held 152,356,559 shares of the Company 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 of the Company collectively held by Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited and 2,340,000 shares of the Company held directly by Standard Cosmos Limited (totaling 292,958,524 shares of the Company) 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.

At the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 Latest Practicable Date 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. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Supplemental Agreements, the 2020 CCT Agreements, the Transfer of Spa Business Agreement, the Supplemental Agreements (II), and the 2020 CCT Supplemental 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.

1. AMENDED ET NEW MEDIA AGREEMENT

Material change to terms

Major terms of the Existing ET New Media Cooperation Agreement, and changes made thereto pursuant to the ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) are set out below:

	Existing ET New Media Cooperation Agreement	ET New Media Supplemental Agreement	ET New Media Supplemental Agreement (II)
Date	16 April 2019	22 July 2020	23 October 2020
Parties	(i) Taiwan NB; and (ii) ET New Media	(i) Taiwan NB; and (ii) ET New Media	(i) Taiwan NB; and (ii) ET New Media
Advertising Service	Taiwan NB agrees to engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhancing the image of the “Natural Beauty” brand and to raise public awareness on the brand (“ Advertising Service ”). 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.	No change.	No change.

	Existing ET New Media Cooperation Agreement	ET New Media Supplemental Agreement	ET New Media Supplemental Agreement (II)
Pricing of Advertising Service	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 offer to its clients which are Independent Third Parties).	No change.	No change.
Products Procurement	N/A	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 "). Taiwan NB's products procured by ET New Media will be marketed and sold by ET New Media through its own sales channels or third party sales channels.	The proposed arrangements on Products Procurement will not be pursued.
Pricing of Products Procurement	N/A	Taiwan NB shall sell its products to ET New Media at 50%-70% discount to their retail price.	N/A
Condition	The Existing ET New Media Cooperation Agreement would only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules. <i>Note:</i> The condition was satisfied on 3 June 2019.	The ET New Media Supplemental Agreement shall only become effective upon the Company having obtained independent Shareholders' approval pursuant to the Listing Rules.	The ET New Media Supplemental Agreement (II) 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	From the amendment effective date to 31 August 2023	From the amendment effective date to 31 August 2023

Revised annual caps

The existing annual caps under the Existing ET New Media Cooperation Agreement, the proposed annual caps under the ET New Media Supplemental Agreement, and the downward adjustment of the same under the ET New Media Supplemental Agreement (II), are set out below:

	Existing annual caps under the Existing ET New Media Cooperation Agreement	Proposed annual caps under the ET New Media Supplemental Agreement	Proposed annual caps as adjusted downwards under the ET New Media Supplemental Agreements (II)
1 June 2019 to 31 December 2019	NT\$15,000,000 (equivalent to approximately HK\$3,908,897)	N/A	N/A
1 January 2020 to 31 December 2020	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	No change.	NT\$21,000,000 (equivalent to approximately HK\$5,472,455)
1 January 2021 to 31 December 2021	NT\$30,000,000 (equivalent to approximately HK\$7,817,793)	NT\$50,000,000 (equivalent to approximately HK\$13,029,655)	NT\$35,000,000 (equivalent to approximately HK\$9,120,759)
1 January 2022 to 31 December 2022	NT\$10,000,000 (equivalent to approximately HK\$2,605,931) <i>(Note 1)</i>	NT\$80,000,000 (equivalent to approximately HK\$20,847,449)	NT\$56,000,000 (equivalent to approximately HK\$14,593,214)
1 January 2023 to 31 August 2023	N/A	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)

Note 1: For the period from 1 January 2022 to 31 May 2022.

2. AMENDED EASTERN HOME AGREEMENT

Material change to terms

Major terms of the Existing Eastern Home Consignment Agreement, and changes made thereto pursuant to the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II), are summarised as below:

	Existing Eastern Home Consignment Agreement	Eastern Home Supplemental Agreement	Eastern Home Supplemental Agreement (II)
Date	16 April 2019	22 July 2020	23 October 2020
Parties	(i) Taiwan NB; and (ii) Eastern Home	(i) Taiwan NB; and (ii) Eastern Home	(i) Taiwan NB; and (ii) Eastern Home
Products Procurement	Taiwan NB will engage Eastern Home to sell certain products manufactured, distributed or sold by Taiwan NB (the “ Target Products ”) which are selected by Eastern Home as target products (the “ Products Procurement ”). Taiwan NB shall authorise Eastern Home to sell the Target Products to end customers and to use related promotional materials for such purpose. 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.	No change.	No change.

	Existing Eastern Home Consignment Agreement	Eastern Home Supplemental Agreement	Eastern Home Supplemental Agreement (II)
Sale Commission	N/A	Taiwan NB shall pay an annual sale commission to Eastern Home as follows:	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;	(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, 15% of the product sales amount exceeding NT\$500,000,000; and	(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, 20% of the product sales amount exceeding NT\$800,000,000.	(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.

	Existing Eastern Home Consignment Agreement	Eastern Home Supplemental Agreement	Eastern Home Supplemental Agreement (II)
Costs	Taiwan NB shall be responsible for the costs in relation to the sale of Product Procurements to end customers.	Taiwan NB shall be responsible for the costs in relation to the sale of Products Procurements to end customers, including the costs associated with the marketing, transportation and programme production (“Costs”).	No change.
Trademark licence	N/A	Eastern Home shall pay Taiwan NB a royalty for licence to use the Trademarks (the “Royalty”).	No change.
Pricing of Trademark licence	N/A	The Royalty is calculated at 3–10% of the selling price (before tax; and after deduction of any discount) from the sale of mutually agreed products.	No change.
Condition	The Existing Eastern Home Consignment Agreement would only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules. <i>Note:</i> The condition was satisfied on 3 June 2019.	The Eastern Home Supplemental Agreement shall only become effective upon the Company having obtained independent Shareholders’ approval pursuant to the Listing Rules.	The Eastern Home Supplemental Agreement (II) 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.	From the amendment effective date to 31 August 2023.	From the amendment effective date to 31 August 2023.

Revised annual caps on the amount of purchase

The existing annual caps on the Net Proceeds under the Existing Eastern Home Consignment Agreement, the proposed annual caps on the amount of purchase under the Eastern Home Supplemental Agreement, and the downward adjustment of the same under the Eastern Home Supplemental Agreement (II), are set out below:

	Existing annual caps under the Existing Eastern Home Consignment Agreement <i>(Note 1)</i>	Proposed annual caps under the Eastern Home Supplemental Agreement	Proposed annual caps as adjusted downwards under the Eastern Home Supplemental Agreements (II)
1 June 2019 to 31 December 2019	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	N/A	N/A
1 January 2020 to 31 December 2020	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)
1 January 2021 to 31 December 2021	NT\$800,000,000 (equivalent to approximately HK\$208,474,488)	NT\$800,000,000 (equivalent to approximately HK\$208,474,488)	NT\$560,000,000 (equivalent to approximately HK\$145,932,142)
1 January 2022 to 31 December 2022	NT\$500,000,000 (equivalent to approximately HK\$130,296,555) <i>(Note 2)</i>	NT\$1,200,000,000 (equivalent to approximately HK\$312,711,732)	NT\$840,000,000 (equivalent to approximately HK\$218,898,212)
1 January 2023 to 31 August 2023	N/A	NT\$1,500,000,000 (equivalent to approximately HK\$390,889,665)	NT\$1,050,000,000 (equivalent to approximately HK\$273,622,765)

Note 1: The annual caps under the Existing Eastern Home Consignment Agreement were determined based on net proceeds of sale of Target Products to end customers after deduction of commission and costs of sales (“Net Proceeds”).

Note 2: For the period from 1 January 2022 to 31 May 2022.

Revised annual caps on the Costs

The existing annual caps on the Costs under the Existing Eastern Home Consignment Agreement, the proposed annual caps under the Eastern Home Supplemental Agreement, and the downward adjustment of the same under the Eastern Home Supplemental Agreement (II), are set out below:

	Existing annual caps under the Existing Eastern Home Consignment Agreement <i>(Note 1)</i>	Proposed annual caps under the Eastern Home Supplemental Agreement	Proposed annual caps as adjusted downwards under the Eastern Home Supplemental Agreements (II)
1 June 2019 to 31 December 2019	N/A	N/A	N/A
Amendment Effective Date to 31 December 2020	N/A	NT\$60,000,000 (equivalent to approximately HK\$15,635,587)	NT\$42,000,000 (equivalent to approximately HK\$10,944,911)
1 January 2021 to 31 December 2021	N/A	NT\$96,000,000 (equivalent to approximately HK\$25,016,939)	NT\$67,200,000 (equivalent to approximately HK\$17,511,857)
1 January 2022 to 31 December 2022	N/A	NT\$150,000,000 (equivalent to approximately HK\$39,088,966)	NT\$105,000,000 (equivalent to approximately HK\$27,362,277)
1 January 2023 to 31 August 2023	N/A	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)

Note 1: The annual caps under the Existing Eastern Home Consignment Agreement were determined based on net proceeds of sale of Target Products to end customers after deduction of commission and costs of sales (“**Net Proceeds**”). Pursuant to the terms of the Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II), the annual cap in respect of Products Procurement will be determined based on the sales amount that Eastern Home would pay to Taiwan NB when Eastern Home made the purchase, and the annual aggregate costs of sale (“**Costs**”) will be separated from the Net Proceeds.

Revised annual caps on the Royalty

The existing annual caps on the Royalty under the Existing Eastern Home Consignment Agreement, the proposed annual caps under the Eastern Home Supplemental Agreement, and the downward adjustment of the same under the Eastern Home Supplemental Agreement (II), are set out below:

	Existing annual caps under the Existing Eastern Home Consignment Agreement <i>(Note 1)</i>	Proposed annual caps under the Eastern Home Supplemental Agreement	Proposed annual caps as adjusted downwards under the Eastern Home Supplemental Agreements (II)
1 June 2019 to 31 December 2019	N/A	N/A	N/A
1 January 2020 to 31 December 2020	N/A	NT\$100,000,000 (equivalent to approximately HK\$26,059,311)	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)
1 January 2021 to 31 December 2021	N/A	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)
1 January 2022 to 31 December 2022	N/A	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)
1 January 2023 to 31 August 2023	N/A	NT\$400,000,000 (equivalent to approximately HK\$104,237,244)	NT\$280,000,000 (equivalent to approximately HK\$72,966,071)

Note 1: The Existing Eastern Home Consignment Agreement did not provide for licence of Trademarks.

3. AMENDED EASTERN GLOBAL AGREEMENT

Major change to terms

There is no major change to the terms of the Existing Eastern Global Procurement Agreement save for the adjustment to the annual caps.

Revised annual caps

The existing annual caps under the Existing Eastern Global Procurement Agreement, the proposed annual caps under the Eastern Global Supplemental Agreement, and the downward adjustment of the same under the Eastern Global Supplemental Agreement (II), are set out below:

	Existing annual caps under the Existing Eastern Global Procurement Agreement	Proposed annual caps under the Eastern Global Supplemental Agreement	Proposed annual caps as adjusted downwards under the Eastern Global Supplemental Agreements (II)
1 June 2019 to 31 December 2019	NT\$70,000,000 (equivalent to approximately HK\$18,241,518)	N/A	N/A
1 January 2020 to 31 December 2020	NT\$150,000,000 (equivalent to approximately HK\$39,088,966)	NT\$200,000,000 (equivalent to approximately HK\$52,118,622)	NT\$140,000,000 (equivalent to approximately HK\$36,483,035)
1 January 2021 to 31 December 2021	NT\$250,000,000 (equivalent to approximately HK\$65,148,277)	NT\$500,000,000 (equivalent to approximately HK\$130,296,555)	NT\$350,000,000 (equivalent to approximately HK\$91,207,588)
1 January 2022 to 31 December 2022	NT\$150,000,000 (equivalent to approximately HK\$39,088,966) <i>(Note 1)</i>	NT\$1,000,000,000 (equivalent to approximately HK\$260,593,110)	NT\$700,000,000 (equivalent to approximately HK\$182,415,177)
1 January 2023 to 31 August 2023	N/A	NT\$1,200,000,000 (equivalent to approximately HK\$312,711,732)	NT\$840,000,000 (equivalent to approximately HK\$218,898,212)

Note 1: For the period from 1 January 2022 to 31 May 2022.

NOTICE OF EGM



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 the Conference Room, 8/F, 368 Section 1 Fuxing South Road, Da'an District, Taipei, Taiwan on Monday, 16 November 2020 at 2:00 p.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 ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II) (each as defined in the circular of the Company dated 30 October 2020) (the “**Circular**”) and the transactions contemplated thereunder (including the adjusted annual caps, and the extension of the term of the Existing ET New Media Cooperation Agreement (as defined in the Circular) to 31 August 2023) be and are hereby approved;
- (b) any one director of the Company or any two directors 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 ET New Media Supplemental Agreement and the ET New Media Supplemental Agreement (II), 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 Eastern Home Supplemental Agreement and the Eastern Home Supplemental Agreement (II) (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps, and the extension of the term of the Existing Eastern Home Consignment Agreement (as defined in the Circular) to 31 August 2023) be and are hereby approved;

NOTICE OF EGM

- (b) any one director of the Company or any two directors 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 Supplemental Agreement and the Eastern Home Supplemental Agreement (II), 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 Eastern Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II) (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps, and the extension of the term of the Existing Eastern Global Procurement Agreement (as defined in the Circular) to 31 August 2023) be and are hereby approved;

 - (b) any one director of the Company or any two directors 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 Global Supplemental Agreement and the Eastern Global Supplemental Agreement (II), 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 ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;

 - (b) any one director of the Company or any two directors 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 ET New Retail Procurement Agreement and the ET New Retail Procurement Supplemental 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;

- 5
 - (a) the Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;

NOTICE OF EGM

- (b) any one director of the Company or any two directors 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 Focus Media Cooperation and Procurement Agreement and the Focus Media Cooperation and Procurement Supplemental 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;

- 6
 - (a) the Eastern Global HK Procurement Agreement and Eastern Global HK Procurement Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;

 - (b) any one director of the Company or any two directors 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 Global HK Procurement Agreement and Eastern Global HK Procurement Supplemental 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;

- 7
 - (a) the Eastern Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;

 - (b) any one director of the Company or any two directors 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 Zhenyu Procurement Agreement and the Eastern Zhenyu Procurement Supplemental 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;

- 8
 - (a) the Strawberry Procurement Agreement and the Strawberry Procurement Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;

NOTICE OF EGM

- (b) any one director of the Company or any two directors 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 Strawberry Procurement Agreement and the Strawberry Procurement Supplemental 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;
- 9 (a) the Eastern Home Franchise Agreement and the Eastern Home Franchise Supplemental Agreement (each as defined in the Circular) and the transactions contemplated thereunder (including the adjusted annual caps) for the term from effective date to 31 August 2023 be and are hereby approved;
- (b) any one director of the Company or any two directors 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 Franchise Agreement and the Eastern Home Franchise Supplemental 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
- 10 (a) the Transfer of Spa Business Agreement dated 22 July 2020 (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved;
- (b) any one director of the Company or any two directors 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 Transfer of Spa Business 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
自然美生物科技有限公司
Lei Chien
Chairperson

Hong Kong, 30 October 2020

NOTICE OF EGM

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 notorially 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 2:00 p.m. on Saturday 14 November 2020) 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 Wednesday, 11 November 2020 to Monday, 16 November 2020, 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 Tuesday, 10 November 2020. In the event that the EGM is adjourned to a date later than 16 November 2020 for any 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.

As at the date of this notice, 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.