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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Natural Beauty Bio-Technology Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or transferee, or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
IN RELATION TO
(I) RENEWAL OF PREVIOUS CCT AGREEMENTS; AND
(II) NEW CCT 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 6 to 43 of this circular and a letter from the Independent Board Committee is set out on pages 44 to 45 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 46 to 102 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 23 August 2023 at 10:00 a.m. is set out on pages 108 to 112 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.

4 August 2023

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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:

“Announcements”	the announcements of the Company dated 12 May 2023, 2 June 2023 and 27 June 2023 in relation to, among other things, (i) the renewal of Previous CCT Agreements; and (ii) the New CCT Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CCT Agreement(s)”	comprising each of the CCT Renewal Agreements and the New CCT Agreements
“CCT Renewal Agreements”	comprising each of (a) ET New Media Cooperation Agreement; (b) Eastern Home Consignment Agreement; (c) Eastern Home Franchise Agreement; (d) Eastern Global Sale Agreement; (e) ET New Retail Consignment Agreement; and (f) Strawberry Sale Agreement
“Company”	Natural Beauty Bio-Technology Limited (自然美生物科技有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eastern 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 Procurement Agreement”	the product procurement agreement dated 12 May 2023 entered into between Taiwan NB and Eastern Global
“Eastern Global Sale Agreement”	the product sale agreement dated 12 May 2023 entered into between Taiwan NB and Eastern Global
“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

DEFINITIONS

“Eastern Home Consignment Agreement”	the product consignment agreement dated 12 May 2023 entered into between Taiwan NB and Eastern Home
“Eastern Home Franchise Agreement”	the franchise agreement dated 12 May 2023 entered into between Taiwan NB and Eastern Home
“Eastern Home Procurement Agreement”	the product procurement agreement dated 12 May 2023 entered into between Taiwan NB and Eastern Home
“EGM”	the extraordinary general meeting of the Company to be convened on <u>23 August 2023</u> for the purpose of considering and, if thought fit, approving the CCT Agreements and the transactions contemplated thereunder including the annual caps for the respective transactions
“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 (stock code: <u>2614.TW</u>) and is principally engaged in the business of forwarding, loading and unloading cargo onto/from ships, the handling and operation of wharf and transit shed facilities, selling pet food and supplies, providing pet beauty service, video advertising services and the production of related shows
“EMI Group”	EMI and its associates, but excluding the Group for the purpose of this circular
“ET New Media”	ET New Media Holding Limited Company (東森新媒體控股股份有限公司), a company incorporated in Taiwan with limited liability
“ET New Media Cooperation Agreement”	the project cooperation agreement dated 12 May 2023 entered into between Taiwan NB and ET New Media
“ET 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
“ET New Retail Consignment Agreement”	the goods consignment agreement dated 12 May 2023 entered into between Taiwan NB and Eastern New Retail
“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 and a wholly-owned subsidiary of EMI which is principally engaged in investing activities
“Group”	the Company and its subsidiaries

DEFINITIONS

“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
“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 CCT Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the terms of the CCT Agreements and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder(s) other than the controlling shareholders and their associates and who are not required to abstain from voting at the EGM under the Listing Rules
“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”	<u>31 July 2023</u> , 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
“New CCT Agreements”	comprising (a) the Eastern Home Procurement Agreement; and (b) Eastern Global Procurement Agreement
“New CCT Period”	each of the years/period commencing from 1 September 2023 to 31 August 2026
“NT\$”	New Taiwan Dollar(s), the lawful currency of Taiwan

DEFINITIONS

“ODM”	original design manufacturing
“OEM”	original equipment manufacturing
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous CCT Agreements”	comprising each of (a) the Previous Eastern Global Sale Agreement; (b) the Previous Eastern Home Consignment Agreement; (c) the Previous Eastern Home Franchise Agreement; (d) the Previous ET New Media Cooperation Agreement; (e) the Previous ET New Retail Consignment Agreement; and (f) Previous Strawberry Sale Agreement
“Previous CCT Period”	each of the years/period commencing from 16 November 2020 to 31 August 2023
“Previous Eastern Global Sale Agreement”	collectively, the products sale agreement dated 16 April 2019, and the supplemental product sale agreements dated 22 July 2020 and 23 October 2020, with terms similar to the Eastern Global Sale Agreement, which is expiring on 31 August 2023
“Previous Eastern Home Consignment Agreement”	collectively, the product consignment agreement dated 16 April 2019 and the product consignment supplemental agreements dated 22 July 2020 and 23 October 2020, entered into between Taiwan NB and Eastern Home with terms similar to the Eastern Home Consignment Agreement, which is expiring on 31 August 2023
“Previous Eastern Home Franchise Agreement”	collectively, the franchise agreement dated 22 July 2020 and the supplemental franchise agreement dated 23 October 2020, entered into between Taiwan NB and Eastern Home with terms similar to the Eastern Home Franchise Agreement, which is expiring on 31 August 2023
“Previous ET New Media Cooperation Agreement”	collectively, the project cooperation agreement dated 16 April 2019 and the supplemental project cooperation agreements dated 22 July 2020 and 23 October 2020, entered into between Taiwan NB and ET New Media with terms similar to the ET New Media Cooperation Agreement, which is expiring on 31 August 2023

DEFINITIONS

“Previous ET New Retail Consignment Agreement”	collectively, the products consignment agreement dated 22 July 2020 and the supplemental products consignment agreement dated 23 October 2020, entered into between Taiwan NB and ET New Retail with terms similar to the ET New Retail Consignment Agreement, which is expiring on 31 August 2023
“Previous Strawberry Sale Agreement”	collectively, the products sale agreement dated 22 July 2020 and the supplemental products sale agreement dated 23 October 2020 entered into between NB China and Strawberry with terms similar to the Strawberry Sale Agreement, which is expiring on 31 August 2023
“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)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Strawberry”	Strawberry Cosmetics (Services) Limited, a company incorporated in Hong Kong with limited liability
“Strawberry Sale Agreement”	the product sale agreement dated 12 May 2023 entered into between NB China and Strawberry
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taiwan”	Republic of China (Taiwan)
“Taiwan NB”	Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司), a company incorporated in Taiwan with limited liability
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation

Unless otherwise indicated, the exchange rate of HK\$1.00 to NT\$3.92 and HK\$1.00 to RMB0.89 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

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)

Executive Directors:

Dr. LEI Chien (*Chairperson*)

Mr. LIN Chia-Wei

Non-executive Directors:

Ms. LU Yu-Min

Ms. LIN Shu-Hua

Mr. CHEN Shou-Huang

Independent Non-executive Directors:

Mr. CHEN Ruey-Long

Mr. LIN Tsalm-Hsiang

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:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

4 August 2023

To the Shareholders,

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(I) RENEWAL OF PREVIOUS CCT AGREEMENTS; AND
(II) NEW CCT AGREEMENTS; AND
NOTICE OF EGM**

I. INTRODUCTION

References are made to the Announcements dated 12 May 2023, 2 June 2023 and 27 June 2023 in relation to (i) the renewal of the Previous CCT Agreements and (ii) the New CCT Agreements.

LETTER FROM THE BOARD

As disclosed in the Announcements, the Company (through Taiwan NB and NB China, its subsidiaries) had entered into the CCT Renewal Agreements to renew the Previous CCT Agreements with ET New Media, Eastern Home, Eastern Global, ET New Retail and Strawberry, each being connected persons of the Group. Pursuant to the CCT Renewal Agreements, the Group shall continue to engage in transactions which principally concerns advertising, product consignment, trademark franchising and products wholesale with the connected parties.

The Company (through Taiwan NB) has also, on top of the CCT Renewal Agreements, entered into the New CCT Agreements with Eastern Home and Eastern Global. Pursuant to the New CCT Agreements, the Group shall engage in products procurement in respect of health supplements, commodities and food with the connected parties.

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the CCT Agreements and the transactions contemplated thereunder including the annual caps.

The purpose of this circular is to provide you with (i) a letter from the Board containing further details in respect of the renewal of the Previous CCT Agreements and the New CCT Agreements; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the CCT Agreements; (iii) a letter from Pelican to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the terms of the CCT Agreements; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

II. CCT RENEWAL AGREEMENTS

The principal terms for each of the CCT Renewal Agreements are as follows:

A. ET New Media Cooperation Agreement

On 12 May 2023, Taiwan NB entered into the ET New Media Cooperation Agreement with ET New Media. The major terms of the ET New Media Cooperation Agreement are as follows:

Date	12 May 2023
Parties	(1) Taiwan NB ; and (2) ET New Media

LETTER FROM THE BOARD

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

In accordance with the framework as agreed under the ET New Media Cooperation Agreement, 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 terms For each advertising project, ET New Media shall offer at least 50% discount to the list price of such advertising project (being prices ET New Media offer to its clients which are Independent Third Parties) to be specified on the supplementary contracts to be entered between the parties regarding each advertising project.

Condition The ET New Media Cooperation Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.

Term From 1 September 2023 to 31 August 2026.

Basis of determination of pricing terms

The parties determined the pricing term thereunder based on their intention to minimise the advertising costs for Taiwan NB while remain sufficient to cover the costs to be incurred by ET New Media. Such pricing term, being no less favourable than that offered by Independent Third Parties for the same type of services, is considered by the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

Taiwan NB signed the Previous ET New Media Cooperation Agreement and the respective supplemental agreements with ET New Media on 16 April 2019, 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the ET New Media Cooperation Agreement.

LETTER FROM THE BOARD

The aggregate fees paid by Taiwan NB under the Previous ET New Media Cooperation Agreement in respect of the Advertising Service and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

Year/period	From 1 June 2019 to 31 December 2019 <i>(Note 1)</i>	From 1 January 2020 to 31 December 2020 <i>(Note 1)</i>	From 1 January 2021 to 31 December 2021 <i>(Note 1)</i>	From 1 January 2022 to 31 December 2022 <i>(Note 1)</i>	From 1 January 2023 to 31 May 2023 <i>(Note 2)</i>
Historical transaction amount	NT\$3,718,392 (equivalent to approximately HK\$947,733)	NT\$2,310,044 (equivalent to approximately HK\$588,778)	NT\$5,683,545 (equivalent to approximately HK\$1,448,606)	NT\$6,342,830 (equivalent to approximately HK\$1,616,643)	NT\$757,200 (equivalent to approximately HK\$192,993)
Historical annual cap	NT\$15,000,000 (equivalent to approximately HK\$3,823,166)	NT\$21,000,000 (equivalent to approximately HK\$5,352,432)	NT\$35,000,000 (equivalent to approximately HK\$8,920,720)	NT\$56,000,000 (equivalent to approximately HK\$14,273,152)	NT\$70,000,000 (equivalent to approximately HK\$17,841,441) <i>(Note 3)</i>
Utilisation rate (approximately)	25%	11%	16%	11%	1.7% <i>(Note 4)</i>

Note 1: The aggregate fees paid by Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: The aggregate fees paid by Taiwan NB for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

Note 4: The utilisation rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate five-month portion of the eight-month existing annual caps for illustration purposes. The five-month portion of the existing annual caps under Previous ET New Media Cooperation Agreement is approximately NT\$43.8 million (equivalent to approximately HK\$11.2 million).

Annual cap

Pursuant to the terms of the ET New Media Cooperation Agreement, the annual cap in respect of the fees payable by Taiwan NB to ET New Media shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
NT\$10,000,000 (equivalent to approximately HK\$2,548,772)	NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$35,000,000 (equivalent to approximately HK\$8,920,702)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)

LETTER FROM THE BOARD

The above annual cap has 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 Previous ET New Media Cooperation Agreement;
- (ii) the marketing plan and campaigns of Taiwan NB for the same periods; and
- (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media for the same periods, having taken into account the impact of the subsidence of the COVID-19.

The Directors noted that based on the historical transaction amounts, the utilisation rates of the historical annual caps throughout the Previous CCT Period were lower than originally anticipated.

The Directors take the view that the reasons for the relatively low utilisation rates were mainly attributable to the nature of the business arrangement with ET New Media under the Previous ET New Media Cooperation Agreement, which primarily concerned subway digital and lightbox displays. Such business arrangement was more susceptible to the adverse impact of the COVID-19 pandemic due to the then temporary lockdown of Taiwan during the Previous CCT Period, and therefore had resulted in low transaction amount under the Previous ET New Media Cooperation Agreement.

Accordingly, the Directors are of the view that the adverse impact of the then business suspension should be more heavily taken into account when assessing the proposed annual caps for the New CCT Period. Given that the impact of the COVID-19 had subsided, and the return to normality means subway digital and lightbox displays advertisements shall become a more economically-efficient way of advertising as comparing to the Previous CCT Period, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) are of the view that the proposed annual caps for the New CCT Period under the ET New Media Cooperation Agreement are fair and reasonable.

B. Eastern Home Consignment Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Home Consignment Agreement with Eastern Home in respect of (a) product consignment, (b) cost sharing in relation to the sales of products and (c) trademark licensing to Eastern Home. The major terms of the Eastern Home Consignment Agreement are as follows:

Date	12 May 2023
Parties	(1) Taiwan NB; and (2) Eastern Home

LETTER FROM THE BOARD

Subject matter

a. EH Products Consignment

Taiwan NB shall engage Eastern Home to sell cosmetic and skin care products manufactured, distributed or sold by Taiwan NB (the “**EH Target Products**”) which are selected by Eastern Home as target products (the “**EH Products Consignment**”).

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

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

b. EH Cost Sharing

Taiwan NB shall be fully responsible for the costs in relation to the sale of EH Products Consignment to end customers, including the costs associated with marketing, transportation and programme production (“**EH Cost Sharing**”).

c. EH Trademark Licensing

Eastern Home shall pay Taiwan NB a royalty for licence to use the trademarks of “Natural Beauty” (the “**EH Royalty**”).

Pricing of the EH Target Products

a. EH Products Consignment

The price of the EH Target Products sold by Taiwan NB to Eastern Home shall be at 50% to 90% discount to their retail price, or 20% to 60% discount to their gross profit margin if the EH Target Products are OEM or ODM products.

b. EH Cost Sharing

Taiwan NB shall pay a sale commission at 2% of the internet sale proceeds during the month to Eastern Home. Taiwan NB shall additionally pay a marketing sponsorship fee at 3% of the relevant sale proceeds to Eastern Home for such EH Target Products sold during the month.

LETTER FROM THE BOARD

c. EH Trademark Licensing

Eastern Home shall pay Taiwan NB a EH Royalty fee at 5% of the selling price (before tax; and after deduction of any discount) from the sale of mutually agreed products.

Condition The Eastern Home Consignment Agreement and each of the terms in relation to the aforesaid subject matters shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.

Term From 1 September 2023 to 31 August 2026.

Basis of determination of pricing terms

The parties determined the pricing terms in respect of EH Products Consignment, EH Cost Sharing and EH Royalty as follows:

- (i) In respect of EH Products Consignment, based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Parties;
- (ii) In respect of EH Cost Sharing, the parties agreed a list of business expenses to be included as part of costs in relation to the sale of EH Products Consignment 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 consignment agreements; and
- (iii) In respect of EH Royalty, based on the market level of royalty rates under similar trademark licence agreements.

The Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) take the view that the pricing terms for each of EH Products Consignment, EH Cost Sharing and EH Royalty under the Eastern Home Consignment Agreement are in line with the market level, and thus consider that the pricing terms is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing terms under the Eastern Home Consignment Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

Taiwan NB signed the Previous Eastern Home Consignment Agreement and the respective supplemental agreements with Eastern Home on 16 April 2019, 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the Eastern Home Consignment Agreement.

LETTER FROM THE BOARD

The aggregate fees paid by and paid to Taiwan NB under the Previous Eastern Home Consignment Agreement in respect of the EH Products Consignment, EH Cost Sharing and EH Royalty and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

	From 1 June 2019 to 31 December 2019 ^(Note 1)	From 1 January 2020 to 31 December 2020 ^(Note 1)	From 1 January 2021 to 31 December 2021 ^(Note 1)	From 1 January 2022 to 31 December 2022 ^(Note 1)	From 1 January 2023 to 31 May 2023 ^(Note 2)
EH Products Consignment					
Historical transaction amount	NT\$124,356,729 (equivalent to approximately HK\$31,695,695)	NT\$258,590,873 (equivalent to approximately HK\$65,908,918)	NT\$205,662,379 (equivalent to approximately HK\$52,418,651)	NT\$103,515,701 (equivalent to approximately HK\$26,383,792)	NT\$20,800,243 (equivalent to approximately HK\$5,301,519)
Historical annual cap	NT\$200,000,000 (equivalent to approximately HK\$50,975,544)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762)	NT\$560,000,000 (equivalent to approximately HK\$142,731,525)	NT\$840,000,000 (equivalent to approximately HK\$214,097,287)	NT\$1,050,000,000 (equivalent to approximately HK\$267,621,609) ^(Note 4)
Utilisation rate (approximately)	62%	92%	37%	12%	3% ^(Note 5)
	From 1 June 2019 to 31 December 2019 ^(Note 1)	From 1 January 2020 to 31 December 2020 ^(Note 1)	From 1 January 2021 to 31 December 2021 ^(Note 1)	From 1 January 2022 to 31 December 2022 ^(Note 1)	From 1 January 2023 to 31 May 2023 ^(Note 2)
EH Cost Sharing					
Historical transaction amount	N/A	NT\$10,497,620 (equivalent to approximately HK\$2,675,604) ^(Note 3)	NT\$8,133,112 (equivalent to approximately HK\$2,072,945)	NT\$3,909,485 (equivalent to approximately HK\$996,439)	NT\$281,344 (equivalent to approximately HK\$71,708)
Historical annual cap	N/A	NT\$42,000,000 (equivalent to approximately HK\$10,704,864) ^(Note 3)	NT\$67,200,000 (equivalent to approximately HK\$17,127,783)	NT\$105,000,000 (equivalent to approximately HK\$26,672,161)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881) ^(Note 4)
Utilisation rate (approximately)	N/A	25% ^(Note 3)	12%	4%	0.3% ^(Note 5)

LETTER FROM THE BOARD

	From 1 June 2019 to 31 December 2019 <i>(Note 1)</i>	From 1 January 2020 to 31 December 2020 <i>(Note 1)</i>	From 1 January 2021 to 31 December 2021 <i>(Note 1)</i>	From 1 January 2022 to 31 December 2022 <i>(Note 1)</i>	From 1 January 2023 to 31 May 2023 <i>(Note 2)</i>
EH Royalty					
Historical transaction amount	N/A	NT\$2,681,925 (equivalent to approximately HK\$683,562) <i>(Note 3)</i>	NT\$1,080,512 (equivalent to approximately HK\$275,398)	NT\$208,970 (equivalent to approximately HK\$53,262)	NT\$31,460 (equivalent to approximately HK\$8,018)
Historical annual cap	N/A	NT\$70,000,000 (equivalent to approximately HK\$17,841,441) <i>(Note 3)</i>	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762) <i>(Note 4)</i>
Utilisation rate (approximately)	N/A	4% <i>(Note 3)</i>	1%	0.07%	0.02% <i>(Note 5)</i>

Note 1: The aggregate fees paid by and paid to Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: The aggregate fees paid by and paid to Taiwan NB for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The contract period within the financial year ended 31 December 2020 lasted from 16 November 2020 to 31 December 2020.

Note 4: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

Note 5: The utilisation rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate five-month portion of the eight-month existing annual caps for illustration purposes. The five-month portion of the existing annual caps under Previous Eastern Home Consignment Agreement in respect of EH Products Consignment, EH Cost Sharing and EH Royalty are approximately NT\$656.3 million, NT\$87.5 million and NT\$175 million (equivalent to approximately HK\$167.3 million, HK\$22.3 million and HK\$44.6 million), respectively.

Annual caps

The annual caps under the Previous Eastern Home Consignment Agreement were determined based on net proceeds of sales of EH Target Products to end customers from Eastern Home (i.e. the historical transaction amount for EH Products Consignment under previous agreements).

LETTER FROM THE BOARD

Pursuant to the terms of the Eastern Home Consignment Agreement, the annual cap in respect of EH Products Consignment, which include sales commission, will be determined based on the gross sales amount paid by Eastern Home to Taiwan NB when Eastern Home made the purchase. Such annual caps in relation to EH Products Consignment, and annual caps relating to the EH Cost Sharing by Taiwan NB and the aggregate EH Royalty payable by Eastern Home are set out as follows:

	From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
In respect of EH Products Consignment	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$200,000,000 (equivalent to approximately HK\$50,975,440)	NT\$300,000,000 (equivalent to approximately HK\$76,463,160)	NT\$500,000,000 (equivalent to approximately HK\$127,438,600)
In respect of EH Cost Sharing	NT\$2,800,000 (equivalent to approximately HK\$713,656)	NT\$12,000,000 (equivalent to approximately HK\$3,058,526)	NT\$17,000,000 (equivalent to approximately HK\$4,332,912)	NT\$28,000,000 (equivalent to approximately HK\$7,136,561)
In respect of EH Royalty	NT\$2,000,000 (equivalent to approximately HK\$509,754)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)

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

- (i) the historical transaction amount in respect of the EH Products Consignment under the Previous Eastern Home Consignment Agreement;
- (ii) the projected sales of EH Target Products and the sales of products that are subject to the EH Royalty under the Eastern Home Consignment Agreement; and
- (iii) the projected amount of costs based on the projected sales of EH Target Products.

The Directors are of the view that the overall decreasing trend of the utilisation rates of the historical annual caps throughout the Previous CCT Period was primarily due to: (a) the severe outbreak of the COVID-19 pandemic in Taiwan since 2021 and the imposition of public mask mandate in Taiwan, which had led to decrease in demand for skin care, beauty and cosmetic products; and (b) the COVID-19 pandemic had lasted longer than originally anticipated, which at the relevant time of assessing annual caps for the Previous Eastern Home Consignment Agreement in 2020, the Directors did not expect COVID-19 pandemic to last throughout the whole Previous CCT Period.

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With the resumption to normality after the subsidence of the COVID-19 pandemic, in particular the gradual lifting of public mask mandate in Taiwan since late 2022, the Directors expect that the overall demand for cosmetic products and skin care products will gradually increase and therefore the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that the proposed annual caps for the New CCT Period under the Eastern Home Consignment Agreement is fair and reasonable.

C. Eastern Home Franchise Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Home Franchise Agreement with Eastern Home. The major terms of the Eastern Home Franchise Agreement are as follows:

Date	12 May 2023
Parties	(1) Taiwan NB; and (2) Eastern Home
Subject matter	Taiwan NB shall 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 term	The price of the target products sold by Taiwan NB to Eastern Home shall be at 50% to 80% 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.
Condition	The Eastern Home Franchise Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.
Term	From 1 September 2023 to 31 August 2026.

LETTER FROM THE BOARD

Basis of determination of pricing terms

The parties determined the pricing term based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Party franchisors. Since the pricing under the Eastern Home Franchise Agreement is in line with the said wholesale market prices, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing term under the Eastern Home Franchise Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

Taiwan NB signed the Previous Eastern Home Franchise Agreement and a supplemental agreement with Eastern Home on 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the Eastern Home Franchise Agreement.

The aggregate fees paid to Taiwan NB under the Previous Eastern Home Franchise Agreement and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

Year/period	From 16 November 2020 to 31 December 2020 <i>(Note 1)</i>	From 1 January 2021 to 31 December 2021 <i>(Note 1)</i>	From 1 January 2022 to 31 December 2022 <i>(Note 1)</i>	From 1 January 2023 to 31 May 2023 <i>(Note 2)</i>
Historical transaction amount	NT\$7,818,117 (equivalent to approximately HK\$1,992,660)	NT\$24,889,431 (equivalent to approximately HK\$6,343,748)	NT\$17,899,845 (equivalent to approximately HK\$4,562,262)	NT\$7,705,099 (equivalent to approximately HK\$1,963,858)
Historical annual cap	NT\$42,000,000 (equivalent to approximately HK\$10,704,864)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$245,000,000 (equivalent to approximately HK\$62,445,042)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203) <i>(Note 3)</i>
Utilisation rate (approximately)	19%	18%	7%	4% <i>(Note 4)</i>

Note 1: The aggregate fees paid to Taiwan NB within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The aggregate fees paid to Taiwan NB for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

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Note 4: The utilisation rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate five-month portion of the eight-month existing annual caps for illustration purposes. The five-month portion of the existing annual caps under the Previous Eastern Home Franchise Agreement is NT\$218.8 million (equivalent to approximately HK\$55.8 million).

Annual caps

Pursuant to the terms of the Eastern Home Franchise Agreement, the annual cap in respect of the fees payable by Eastern Home to Taiwan NB shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
NT\$10,000,000 (equivalent to approximately HK\$2,548,772)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)

The annual cap has been arrived at based on:

- (i) the historical transaction amount in respect of the sale proceeds under the Previous Eastern Home Franchise Agreement; and
- (ii) the projected purchase amount of goods under the Eastern Home Franchise Agreement based on the 5-year business plan commencing from September 2023 for Eastern Home and having taken into account the impact of the subsidence of the COVID-19.

The Directors noted that based on the historical transaction amounts, the utilisation rates of the historical annual caps throughout the Previous CCT Period were lower than originally anticipated.

The Directors take the view that the reasons for the relatively low utilisation rates were mainly attributable to the nature of the business arrangement under the Previous Eastern Home Franchise Agreement, which primarily concerned operation of spa business and had been susceptible to the adverse impact of the COVID-19 pandemic due to the then temporary suspension of spa business operation during the Previous CCT Period.

Accordingly, the Directors are of the view that the adverse impact of the then business suspension should be more heavily taken into account when assessing the proposed annual caps for the New CCT Period. Given that the impact of the COVID-19 had subsided, the Directors expect the demand for spa service shall gradually resume, thus the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) are of the view the proposed annual caps for the New CCT Period under the Eastern Home Franchise Agreement is fair and reasonable.

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D. Eastern Global Sale Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Global Sale Agreement with Eastern Global. The major terms of the Eastern Global Sale Agreement are as follows:

Date	12 May 2023
Parties	(1) Taiwan NB; and (2) Eastern Global
Subject matter	A sales and procurement framework had been established between Taiwan NB and Eastern Global, whereby Taiwan NB may from time to time sell and Eastern Global may from time to time make wholesale purchase of Taiwan NB products such as health supplements, skin care products and cosmetic products.
Pricing	(1) At 50% to 80% discount to the relevant retail price; and (2) at 20% to 60% <u>discount</u> to the gross profit margin if it is OEM products and ODM products.
Condition	The Eastern Global Sale Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.
Term	From 1 September 2023 to 31 August 2026.

Basis of determination of pricing terms

The parties determined the pricing term based on the wholesale market prices for similar products and in similar quantities. Since the pricing under the Eastern Global Sale Agreement is in line with the said wholesale market prices, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing term under the Eastern Global Sale Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

Taiwan NB signed the Previous Eastern Global Sale Agreement and the respective supplemental agreement with Eastern Global on 16 April 2019, 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the Eastern Global Sale Agreement.

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The aggregate fees paid to Taiwan NB under the Previous Eastern Global Sale Agreement and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

Year/period	From 1 From 1 June 2019 to 31 December 2019 <i>(Note 1)</i>	From 1 January 2020 to 31 December 2020 <i>(Note 1)</i>	From 1 January 2021 to 31 December 2021 <i>(Note 1)</i>	From 1 January 2022 to 31 December 2022 <i>(Note 1)</i>	From 1 January 2023 to 31 May 2023
Historical transaction amount	NT\$32,196,635 (equivalent to approximately HK\$8,206,188)	NT\$135,192,508 (equivalent to approximately HK\$34,457,488)	NT\$262,550,230 (equivalent to approximately HK\$66,918,067)	Nil <i>(Note 2)</i>	Nil <i>(Note 2)</i>
Historical annual cap	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203)	NT\$700,000,000 (equivalent to approximately HK\$178,414,406)	NT\$840,000,000 (equivalent to approximately HK\$214,097,287) <i>(Note 3)</i>
Utilisation rate (approximately)	46%	97%	75%	0% <i>(Note 2)</i>	0% <i>(Note 2)</i>

Note 1: The aggregate fees paid to Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: There had been no transaction recorded with Eastern Global pursuant to the Previous Eastern Global Sale Agreement because Eastern Global had stockpiled on the products that had been procured from Taiwan NB in 2020 and 2021, in anticipation of strong demand for skin care products and cosmetic products after the subsidence of the COVID-19 pandemic and resumption of normality. However, as the COVID-19 pandemic had subsisted longer than expected, Eastern Global had a surplus of inventory of such skin care and cosmetic products, and thus Eastern Global had not procured any products from Taiwan NB in 2022 and the five months ended 31 May 2023.

Note 3: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

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Annual Cap

Pursuant to the terms of the Eastern Global Sale Agreement, the annual cap in respect of the fees payable by Eastern Global to Taiwan NB shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$150,000,000 (equivalent to approximately HK\$38,231,580)	NT\$200,000,000 (equivalent to approximately HK\$50,975,440)

The above annual cap has been arrived at based on the following factors:

- (i) the historical amount of purchase made by Eastern Global under the Previous Eastern Global Sale Agreement;
- (ii) the projected amount of purchase to be made by Eastern Global under the Eastern Global Sale Agreement, having taken into account the impact of the subsidence of the COVID-19; and
- (iii) the changes in the price of the products to be purchased.

Having taken into account of the above, the Directors are of the view that the proposed annual cap for the New CCT Period under the Eastern Global Sale Agreement is fair and reasonable.

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E. ET New Retail Consignment Agreement

On 12 May 2023, Taiwan NB entered into the ET New Retail Consignment Agreement with ET New Retail in respect of (a) product consignment and (b) cost sharing in relation to the sales of products. The major terms of the ET New Retail Consignment Agreement are as follows:

Date 12 May 2023

Parties (1) Taiwan NB; and
(2) ET New Retail

Subject matter a. **ET New Retail Products Consignment**

Taiwan NB agreed to engage ET New Retail to sell cosmetic and skin care products (the “**ET New Retail Target Products**”) supplied by Taiwan NB. Taiwan NB shall authorise ET New Retail to sell the ET New Retail Target Products to end customers and to use related promotional materials for such purpose (“**ET New Retail Products Consignment**”).

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

b. **ET New Retail Cost Sharing**

Taiwan NB shall be responsible for the costs in relation to the sale of ET New Retail Products Consignment to end customers, including the costs associated with the marketing, transportation and programme production (“**ET New Retail Cost Sharing**”).

Pricing terms a. **ET New Retail Products Consignment**

The price of the ET New Retail Target Products sold by Taiwan NB to ET New Retail shall be at 50% to 90% discount to their retail price, or 20% to 60% discount to their gross profit margin if the ET New Retail Target Products are OEM or ODM products.

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b. ET New Retail Cost Sharing

Taiwan NB shall pay a sale commission at 2% of the internet sale proceeds during the month to ET New Retail. Taiwan NB shall additionally pay a marketing sponsorship fee at 3% of the relevant sale proceeds to ET New Retail for such ET New Retail Target Products sold during the month.

Condition The ET New Retail Consignment Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.

Term From 1 September 2023 to 31 August 2026.

Basis of determination of pricing terms

The parties determined the pricing terms in respect of ET New Retail Products Consignment and ET New Retail Cost Sharing as follows:

- (i) In respect of ET New Retail Products Consignment, based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Parties; and
- (ii) In respect of ET New Retail Cost Sharing, the parties agreed a list of business expenses to be included as part of costs in relation to the sale of ET New Retail Products Consignment 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 consignment agreements.

The Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) take the view that the pricing terms for each of ET New Retail Products Consignment and ET New Retail Cost Sharing under the ET New Retail Consignment Agreement are in line with the said wholesale market prices, and thus consider that the pricing terms is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing terms under the ET New Retail Consignment Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

Taiwan NB signed the Previous ET New Retail Consignment Agreement and a supplemental agreement with ET New Retail on 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the ET New Retail Consignment Agreement.

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The aggregate fees paid by and paid to Taiwan NB under the Previous ET New Retail Consignment Agreement in respect of the ET New Retail Products Consignment, ET New Retail Cost Sharing and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

	From 16 November 2020 to 31 December 2020	From 1 January 2021 to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 May 2023
ET New Retail Products Consignment	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>
Historical transaction amount	NT\$11,143,012 (equivalent to approximately HK\$2,840,100)	NT\$58,273,619 (equivalent to approximately HK\$14,852,617)	NT\$24,935,028 (equivalent to approximately HK\$6,355,370)	NT\$3,851,052 (equivalent to approximately HK\$981,547)
Historical annual cap	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$210,000,000 (equivalent to approximately HK\$53,524,322)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203) <i>(Note 3)</i>
Utilisation rate (approximately)	16%	42%	12%	2% <i>(Note 4)</i>
	From 16 November 2020 to 31 December 2020	From 1 January 2021 to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 May 2023
ET New Retail Cost Sharing	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>
Historical transaction amount	NT\$30,279 (equivalent to approximately HK\$7,717)	NT\$2,086,494 (equivalent to approximately HK\$531,800)	NT\$921,041 (equivalent to approximately HK\$234,752)	NT\$39,292 (equivalent to approximately HK\$10,015)
Historical annual cap	NT\$21,000,000 (equivalent to approximately HK\$5,352,432)	NT\$35,000,000 (equivalent to approximately HK\$8,920,720)	NT\$56,000,000 (equivalent to approximately HK\$14,273,152)	NT\$70,000,000 (equivalent to approximately HK\$17,841,441) <i>(Note 3)</i>
Utilisation rate (approximately)	0%	6%	2%	0.1% <i>(Note 4)</i>

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Note 1: The aggregate fees paid by and paid to Taiwan NB within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The aggregate fees paid by and paid to Taiwan NB for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

Note 4: The utilisation rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate five-month portion of the eight-month existing annual caps for illustration purposes. The five-month portion of the existing annual caps under the Previous ET New Retail Consignment Agreement in respect of ET New Retail Products Consignment and ET New Retail Cost Sharing are approximately NT\$218.8 million and NT\$43.8 million (equivalent to approximately HK\$55.8 million and HK\$11.2 million), respectively.

Annual caps

The annual caps under the Previous ET New Retail Consignment Agreement were determined based on net proceeds of sale of ET New Retail Target Products to end customers from ET New Retail (i.e. the historical transaction amount for ET New Retail Products Consignment under previous agreements).

Pursuant to the terms of the ET New Retail Consignment Agreement, the annual cap in respect of ET New Retail Products Consignment (including sales commission) will be determined based on the sales amount that ET New Retail would pay to Taiwan NB when ET New Retail made the purchase. Such annual caps in relation to ET New Retail Products Consignment, and annual caps relating to the ET New Retail Cost Sharing by Taiwan NB are set out as follows:

	From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
In respect of ET New Retail Products Consignment	NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$120,000,000 (equivalent to approximately HK\$30,585,264)
In respect of ET New Retail Cost Sharing	NT\$900,000 (equivalent to approximately HK\$229,389)	NT\$2,300,000 (equivalent to approximately HK\$586,218)	NT\$3,600,000 (equivalent to approximately HK\$917,558)	NT\$5,400,000 (equivalent to approximately HK\$1,376,337)

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

- (i) the historical transaction amount in respect of the ET New Retail Products Consignment under the Previous ET New Retail Consignment Agreement;
- (ii) the projected sales of ET New Retail Target Products under the ET New Retail Consignment Agreement; and

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(iii) the projected amount of costs based on the projected sales of ET New Retail Target Products.

The Directors noted that based on the historical transaction amounts, the utilisation rates of the historical annual caps throughout the Previous CCT Period were lower than originally anticipated.

The Directors take the view that the relatively low utilisation rates were mainly attributable to: (a) the severe outbreak of the COVID-19 pandemic in Taiwan since 2021 and the imposition of public mask mandate in Taiwan, which had led to significant decrease in demand for skin care, beauty and cosmetic products; and (b) the COVID-19 pandemic had lasted longer than originally anticipated, which at the relevant time of assessing annual caps for the Previous ET New Retail Consignment Agreement in 2020, the Directors did not expect COVID-19 pandemic to last throughout the whole Previous CCT Period.

With the resumption to normality after the subsidence of the COVID-19 pandemic, in particular the gradual lifting of public mask mandate in Taiwan since late 2022, the Directors expect that the overall demand for cosmetic products and skin care products will increase and therefore the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that the proposed annual caps for the New CCT Period under the ET New Retail Consignment Agreement is fair and reasonable.

F. Strawberry Sale Agreement

On 12 May 2023, NB China entered into the Strawberry Sale Agreement with Strawberry. The major terms of the Strawberry Sale Agreement are as follows:

Date	12 May 2023
Parties	(1) NB China; and (2) Strawberry
Subject matter	A sales and procurement framework had been established between NB China and Strawberry, whereby NB China may from time to time sell and 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	(1) At 50% to 75% discount to the relevant retail price; and (2) at 20% to 60% <u>discount</u> to the gross profit margin if it is OEM products and ODM products.

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Annual rebate	<p>5% of the aggregated annual purchase amount by Strawberry will be rebated to Strawberry when the aggregated annual purchase amount reaches NT\$3,923,458 (equivalent to approximately HK\$1,000,000);</p> <p>7% of the aggregated annual purchase amount by Strawberry will be rebated to Strawberry when the aggregated annual purchase amount reaches NT\$11,770,374 (equivalent to approximately HK\$3,000,000);</p> <p>9% of the aggregated annual purchase amount by Strawberry will be rebated to Strawberry when the aggregated annual purchase amount reaches NT\$19,617,290 (equivalent to approximately HK\$5,000,000); <u>and</u></p> <p>13% of the aggregated annual purchase amount by Strawberry will be rebated to Strawberry when the aggregated annual purchase amount reaches NT\$31,387,664 (equivalent to approximately HK\$8,000,000).</p>
Condition	<p>The Strawberry Sale Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.</p>
Term	<p>From 1 September 2023 to 31 August 2026.</p>

Basis of determination of pricing terms

The parties determined the pricing term based on the wholesale market prices for similar products and in similar quantities. Since the pricing under the Strawberry Sale Agreement is in line with the said wholesale market prices, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing term under the Strawberry Sale Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Historical transaction amount and the utilisation rates of the historical annual caps

NB China signed the Previous Strawberry Sale Agreement and a supplemental agreement with Strawberry on 22 July 2020 and 23 October 2020, which is expiring on 31 August 2023, with terms similar to the Strawberry Sale Agreement.

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The aggregate fees paid to NB China under the Previous Strawberry Sale Agreement and the utilisation rates of the historical annual caps up to 31 May 2023 are as follows:

Year/period	From 16 November 2020 to 31 December 2020 <i>(Note 1)</i>	From 1 January 2021 to 31 December 2021 <i>(Note 1)</i>	From 1 January 2022 to 31 December 2022 <i>(Note 1)</i>	From 1 January 2023 to 31 May 2023 <i>(Note 2)</i>
Historical transaction amount	Nil	HK\$886,772	HK\$5,412,803	HK\$8,129,053
Historical annual cap	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000 <i>(Note 3)</i>
Utilisation rate (approximately)	0%	8%	31%	50% <i>(Note 4)</i>

Note 1: The aggregate fees paid to NB China within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The aggregate fees paid to NB China for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The historical annual cap was set for the period from 1 January 2023 to 31 August 2023.

Note 4: The utilisation rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate five-month portion of the eight-month existing annual caps for illustration purposes. The five-month portion of the existing annual caps under the Previous Strawberry Sale Agreement is approximately HK\$16.4 million.

Annual Cap

Pursuant to the terms of the Strawberry Sale Agreement, the annual cap in respect of the fees payable by Strawberry to NB China shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
HK\$40,000,000	HK\$60,000,000	HK\$80,000,000	HK\$100,000,000

The above annual cap has been arrived at based on the following factors:

- (i) the historical amount of purchase made by Strawberry under the Previous Strawberry Sale Agreement;
- (ii) the projected amount of purchase to be made by Strawberry under the Strawberry Sale Agreement, having taken into account the impact of the subsidence of the COVID-19; and

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(iii) the changes in the price of the products to be purchased.

The Directors noted that based on the historical transaction amounts, the utilisation rates of the historical annual caps throughout the Previous CCT Period were lower than originally anticipated.

The Directors take the view that the relatively low utilisation rates were mainly attributable to: (a) the severe outbreak of the COVID-19 pandemic in Taiwan and Asia since 2021 and the imposition of public mask mandate in Taiwan, which had led to significant decrease in demand for skin care, beauty and cosmetic products and lower transaction amount; and (b) the COVID-19 pandemic had lasted longer than originally anticipated, which at the relevant time of assessing annual caps for the Previous Strawberry Sale Agreement in 2020, the Directors did not expect COVID-19 pandemic to last throughout the whole Previous CCT Period.

Nevertheless, the Directors had noted the considerable growth in transaction amounts throughout the Previous CCT Period and takes the view that transaction amounts under sale and procurement framework between NB China and Strawberry is expected to further grow rapidly throughout the New CCT Period. Furthermore, the Directors are of the view that Strawberry.net, an online platform operated by Strawberry which conduct on-sale of cosmetic products and health being products to global consumers, is a fast-growing online platform that has the potential to grow exponentially in the following years and the Directors wishes to leverage on the potential of Strawberry.net as well as the relationship with Strawberry to distribute products of the Group to increase sales.

With the resumption to normality after the subsidence of the COVID-19 pandemic, in particular the lifting of public mask mandate in Taiwan since late 2022 and the lifting of COVID-19 restrictions around the globe, the Directors expect that the overall demand for cosmetic products and skin care products will gradually increase. Therefore the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that the proposed annual caps for the New CCT Period under the Strawberry Sale Agreement is fair and reasonable.

III. NEW CCT AGREEMENTS

A. Eastern Home Procurement Agreement

On 12 May 2023, in addition to Eastern Home Consignment Agreement and the Eastern Home Franchise Agreement, Taiwan NB had also entered into the Eastern Home Procurement Agreement with Eastern Home. The major terms of the Eastern Home Procurement Agreement are as follows:

Date	12 May 2023
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Parties	(1) Taiwan NB; and (2) Eastern Home
Nature of transaction(s)	A sales and procurement framework had been established between Taiwan NB and Eastern Home, whereby Eastern Home may from time to time sell and Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food from Eastern Home for on-sale at its franchised/self-owned spas, medical cosmetology centers and counters.
Pricing	(1) At 50% to 80% discount to the relevant retail price; or (2) at 10% to 30% <u>discount</u> to the gross profit margin.
Condition	The Eastern Home Procurement Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.
Term	From 1 September 2023 to 31 August 2026.

Basis of determination of pricing term

The parties determined the pricing term based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Parties. Since the pricing under the Eastern Home Procurement Agreement is in line with market level, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing term under the Eastern Home Procurement Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Annual Cap

Pursuant to the terms of the Eastern Home Procurement Agreement, the annual cap in respect of the fees payable by Eastern Home to Taiwan NB shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
NT\$15,000,000 (equivalent to approximately HK\$3,823,158)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)	NT\$150,000,000 (equivalent to approximately HK\$38,231,580)

LETTER FROM THE BOARD

The above annual cap has been arrived at based on the projected amount of purchase to be made by Taiwan NB under the Eastern Home Procurement Agreement based on the 5-year business plan commencing from September 2023 for Eastern Home, including the estimated sales volume of the Group of health supplement products at its distribution channels of franchised/self-owned spas, medical cosmetology centers and counters for the coming five years.

The year-on-year increment of the above annual caps has been proposed, having taken into account that the Company expects the health supplement markets of Taiwan and the PRC are projected to rebound and grow in the forthcoming years after the respective economies had returned to normal after the subsidence of the COVID-19 pandemic.

B. Eastern Global Procurement Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Global Procurement Agreement with Eastern Global. The major terms of the Eastern Global Procurement Agreement are as follows:

Date	12 May 2023
Parties	(1) Taiwan NB; and (2) Eastern Global
Nature of transaction(s)	A sales and procurement framework had been established between Taiwan NB and Eastern Global, whereby Eastern Global may from time to time sell and Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food, and Eastern Global shall sell such products to Taiwan NB.
Pricing	(1) At 50% to 80% discount to the relevant retail price; and (2) at 10% to 30% <u>discount</u> to the gross profit margin if it is OEM products and ODM products.
Condition	The Eastern Global Procurement Agreement shall only become effective upon the Company having obtained approval of the Independent Shareholders in accordance with the Listing Rules.
Term	From 1 September 2023 to 31 August 2026.

LETTER FROM THE BOARD

Basis of determination of pricing term

The parties determined the pricing term based on wholesale market prices for similar products and in similar quantities offered by Independent Third Parties. Since the pricing under the Eastern Global Procurement Agreement is in line with market level, the Directors (excluding the independent non-executive Directors, whose views have been set out in the letter from the Independent Board Committee on page 44 of this circular) consider that it is no less favourable than that offered by Independent Third Parties. As such, the Directors consider the pricing term under the Eastern Global Procurement Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Annual Cap

Pursuant to the terms of the Eastern Global Procurement Agreement, the annual cap in respect of the fees payable by Eastern Global to Taiwan NB shall be as follows:

From 1 September 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 August 2026
NT\$15,000,000 (equivalent to approximately HK\$3,823,158)	NT\$30,000,000 (equivalent to approximately HK\$7,646,316)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)

The above annual cap has been arrived at based on the projected amount of purchase to be made by Taiwan NB under the Eastern Global Procurement Agreement based on the 5-year business plan commencing from September 2023 for Eastern Global, including the estimated sales volume of the Group of health supplement products at its distribution channels of franchised/self-owned spas, medical cosmetology centers and counters for the coming five years.

The year-on-year increment of the above annual caps has been proposed, having taken into account that the Company expects the health supplement markets of Taiwan and the PRC are projected to rebound and grow in the forthcoming years after the respective economies had returned to normal after the subsidence of the COVID-19 pandemic.

LETTER FROM THE BOARD

IV. INFORMATION ON THE PARTIES

A. Information on the Group

The Group

The Company is listed on the Main Board of the Stock Exchange. The Group is principally engaged in (a) manufacturing and selling of 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, skin care consulting and beauty training.

Taiwan NB

Taiwan NB is a company incorporated in Taiwan with limited liability. It is principally engaged in production and sales of skin care and beauty products.

Taiwan NB has entered into the agreements with ET New Media, Eastern Home, Eastern Global and ET New Retail respectively.

NB China

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

NB China has entered into the Strawberry Sale Agreement with Strawberry.

B. Information on the Connected Persons

ET New Media

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.

As of the Latest Practicable Date, ET New Media is a direct non-wholly owned subsidiary of EMI owned directly as to approximately 90.25% of its shareholding by EMI and 9.75% by 109 individuals (all being Independent Third Parties) who does not hold more than 5% of the shareholding of ET New Media. Since EMI is the 100% shareholder of FESS and FESS is a controlling shareholder of the Company, ET New Media is a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the ET New Media Cooperation Agreement constitute continuing connected transactions of the Company.

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Eastern Home

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.

As of the Latest Practicable Date, Eastern Home is owned, directly or indirectly, as to approximately 25.87% by EMI; ultimately owned as to approximately 52.66% by individuals named Ms. Wang Yi-Xin (王藝馨), Ms. Wang Ci-Yin (王辭茵), Ms. Wang Ci-Han (王辭涵) and Mr. Hong Ci-Hua (洪辭華), who are all Independent Third Parties; and owned as to 21.47% by 147 minority shareholders, none of which individually control more than 5% of the beneficial ownership of Eastern Home.

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

However, as at the date of this circular, given that (a) EMI is holding, directly or indirectly, altogether approximately 25.87% of the shareholding in Eastern Home, (b) one member of the board of directors of Eastern Home, namely Mr. Liao Shang-Wen, is also the chairperson of EMI, (c) FESS is a controlling shareholder of the Company, and EMI is the 100% shareholder of FESS, (d) the vice president of Eastern Home, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, (e) one member of the board of directors of Eastern Home, namely Dr. Lei Chien, is also the chairperson and an executive Director of the Company, (f) the finance vice president of Eastern Home, namely Ms. Lin Shu-Hua, is also a non-executive Director of the Company; and (g) the Eastern Home Consignment Agreement, the Eastern Home Franchise Agreement and the Eastern Home Procurement Agreement have been entered into on the same date 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 Eastern Home Consignment Agreement, the Eastern Home Franchise Agreement and the Eastern Home Procurement Agreement shall constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

Eastern Global

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

As of the Latest Practicable Date, Eastern Global is owned and controlled by individuals named Ms. Wang Yi-Xin (王藝馨), Ms. Wang Ci-Yin (王辭茵), Ms. Wang Ci-Han (王辭涵) and Mr. Hong Ci-Hua (洪辭華), who are all Independent Third Parties, through Eastern Health Living Limited Company* (東森健康生活股份有限公司) (as to 45%), Xinkai Media Limited Company* (鑫凱傳播事業股份有限公司) (as to 35%), Yuanshun Co., Limited* (元順股份有限公司) (as to 5%), Hengtong Co., Limited* (亨通股份有限公司) (as to 5%), LiAn Co., Limited* (利安股份有限公司) (as to 5%) and Zhengzhe Co., Limited* (正喆股份有限公司) (as to 5%). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Eastern Global and its ultimate beneficial owners is an Independent Third Party. However, given that (a) one member of the board of directors and the vice-president 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 Sale Agreement and the Eastern Global Procurement Agreement have been entered into on the same date 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 Eastern Global Sale Agreement and the Eastern Global Procurement Agreement shall constitute continuing connected transactions of the Company.

ET New Retail

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.

ET New Retail is a wholly-owned subsidiary of Eastern Home. As disclosed in this circular, 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 Consignment Agreement shall constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

Strawberry

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.

As disclosed in this circular, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company. As at the date of this circular, (a) Strawberry is an indirect wholly owned subsidiary of Eastern Home and (b) Strawberry Sale Agreement was entered into on the same date as the other transactions disclosed in this circular, the Directors consider that it is appropriate to voluntarily treat Strawberry as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the Strawberry Sale Agreement shall constitute continuing connected transactions of the Company.

V. INTERNAL CONTROL MEASURES

In respect of each of the continuing connected transactions as contemplated thereunder the CCT Agreements (applying to both the CCT Renewal Agreements and the New CCT Agreements), the Group shall procure the connected persons to enter into sales orders/purchase contracts and/or agreements (refer to as “**order**” or “**sales or procurement contracts**” in general hereinafter, where appropriate). To ensure that the terms of each of the sale or procurement 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 had adopted and will continue to implement 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 and procurement 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 sale or procurement 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 sale or procurement 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 the 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 or procurement 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 CCT Agreements and the pricing policies of the Company through the above-mentioned process;

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- (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 CCT Agreements. In addition, the internal accounting department shall prepare a quarterly internal control report, which specifies the aggregate transaction amounts of the CCT Agreements incurred in that quarter, and shall submit such report to the chief financial officer of the Company for review before further passing it to the audit committee of the Company for its review. If and when the chief financial officer of the Company or the audit committee of the Company becomes aware of any signs of deficiency in the internal control system or that the actual aggregate transaction amount of any transaction under the CCT Agreements will soon exceed its annual cap for the relevant quarter, he/she/it shall ensure that appropriate internal control procedures would be taken 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 each of the CCT Agreements;
- (vi) The internal audit department of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under each of the CCT Agreements; and
- (vii) The independent non-executive Directors will conduct an annual review of each of the CCT 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, whether it relates to sales or procurement, 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.

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 each of the CCT Agreements will be on normal commercial terms and no less favourable to the Group than that available from Independent Third Parties.

VI. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

FESS becomes a controlling shareholder of the Company on 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.

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As the Directors consider that the cooperation between the Group and ET New Media, Eastern Home, Eastern Global, ET New Retail and Strawberry under the Previous 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 CCT Renewal Agreements for the purpose of either (a) extending the contractual term; (b) adjusting the annual caps; (c) fine-tuning certain contract terms and/or (d) expanding the scope of business cooperation.

Specifically, the Directors take the view that:

- (1) The ET New Media Cooperation Agreement provides a framework to promote the “Natural Beauty” brand and products by utilising the marketing expertise of ET New Media. Therefore, the renewal of the agreement represents an opportunity to the Group to further enhance brand awareness and increase sales.
- (2) Both the Eastern Home Consignment Agreement and the ET New Retail Consignment Agreement provide a framework to (a) allow the Group to sell “Natural Beauty” products via the well-established sales channels of Eastern Home and ET New Retail, and (b) increase the exposure of the “Natural Beauty” brand and products by leveraging on the extensive sales channels operated by Eastern Home and ET New Retail. Therefore, the renewal of the agreements represents an opportunity to the Group to continue expand its business and increase and diversify sales.
- (3) The renewal of the Eastern Home Franchise Agreement will provide the Group with an additional distribution channel of the Group’s products by authorising Eastern Home to set up spas in Taiwan under the brand name “Natural Beauty” and present an opportunity for the Group to promote its brand and increase sales.
- (4) The renewal of each of the Eastern Global Sale Agreement and Strawberry Sale Agreement will continue to provide the Group with an additional distribution channel of the Group’s products and hence an opportunity to increase sales.

As regards the New CCT Agreements, the Directors consider that each of the Eastern Home Procurement Agreement and the Eastern Global Procurement Agreement provides a framework for the Group to procure products such as health supplements, skin care products and cosmetic products for sale at its franchised/self-owned spas, medical cosmetology centers and counters, and hence an opportunity to increase sales. The Directors (excluding the independent non-executive Directors) are of the view that the health supplement markets of Taiwan and the PRC are projected to rebound and grow in the forthcoming years after the respective economies had returned to normal after the subsidence of the COVID-19 pandemic. Given that the Group does not currently have the in-house capability to manufacture health supplement products but does sell to end customers as one of its ordinary and usual course of business, the sales and procurement framework between Taiwan NB and each of Eastern Home and Eastern Global offer an opportunity for the Group to procure health supplements product at a considerable discount to the relevant market retailing price, which are desirable for the Group to capture market shares in health supplements market by selling health supplements that are competitively priced in Taiwan and the PRC.

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The Directors acknowledge that the scale of the transaction amounts contemplated under CCT Agreements may give rise to concerns that there may potentially be a level of reliance on Eastern Home and its subsidiaries for the Company’s business of sales of skin care, beauty, aroma-therapeutic products, health supplements and makeup products. Specifically amongst others, the Eastern Home Consignment Agreement and Strawberry Sale Agreement are entered into by the Group with Eastern Home and its indirect wholly owned subsidiary Strawberry, respectively. However, the Directors have carefully assessed the following factors and are of the view that the transactions contemplated under the Eastern Home Consignment Agreement and the Strawberry Sale Agreement will not have material adverse impact on the business of the Group:

(1) Continued business strategy of geographical diversification

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 operated by the Group have continued to be an integral and well-established source of revenue for the Group. The continuing connected transactions under the CCT Agreements shall continue to be an additional to the existing businesses which are well established and sustainable in terms of revenue without taking into account of any connected transactions.

Throughout the Previous CCT Period, the Company has been implementing business strategy of geographical diversification and had developed geographic markets in the PRC, Taiwan, Hong Kong and Malaysia.

According to the Group’s audited consolidated financial statements for the year ended 31 December 2022, the PRC had accounted for approximately 66.1% of the total revenue of the Group. Meanwhile, Taiwan, being the geographic market at which the majority of the continuing connected transactions under the CCT Agreements (including the Eastern Home Consignment Agreement) occur, account for approximately 30.7% of the total revenue of the Group as of the year ended 31 December 2022. Hong Kong, being the geographical market at which the continuing connected transactions under Strawberry Sale Agreement occur, account for approximately 1.7% of the total revenue of the Group as of the year ended 31 December 2022.

A substantial amount of revenue in the PRC market is generated from transactions with Independent Third Parties, which account for 100%, 97%, 100% and 100% for the past three financial years and the five months ended 31 May 2023. With regards to the Taiwan market, the revenue and percentage of revenue generated from transactions conducted with Independent Third Parties for the past three financial years and the five months ended 31 May 2023 are as follow:

<u>Year/period</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>From 1 January 2023 to 31 May 2023</u>
Revenue generated from	NT\$307,339,866	NT\$212,082,313	NT\$252,650,292	NT\$107,830,617
<u>transactions with Independent</u>	<u>(equivalent to</u>	<u>(equivalent to</u>	<u>(equivalent to</u>	<u>(equivalent to</u>
<u>Third Parties from Taiwan market</u>	<u>approximately</u>	<u>approximately</u>	<u>approximately</u>	<u>approximately</u>
	<u>HK\$78,334,085)</u>	<u>HK\$54,066,057)</u>	<u>HK\$64,394,931)</u>	<u>HK\$27,483,622)</u>

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<u>Year/period</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>From 1 January 2023 to 31 May 2023</u>
<u>Total revenue from Taiwan market</u>	<u>NT\$735,311,231</u> (equivalent to approximately <u>HK\$187,414,452</u>)	<u>NT\$730,007,934</u> (equivalent to approximately <u>HK\$186,062,760</u>)	<u>NT\$389,442,052</u> (equivalent to approximately <u>HK\$99,260,103</u>)	<u>NT\$139,755,242</u> (equivalent to approximately <u>HK\$35,620,498</u>)
<u>Percentage of revenue generated from transactions with Independent Third Parties from Taiwan market</u>	<u>42%</u>	<u>29%</u>	<u>65%</u>	<u>77%</u>

Furthermore, with the subsidence of the COVID-19 pandemic, the Directors anticipate that the overall demand for cosmetic products and skin care products in Taiwan, the PRC and other geographical regions to which the Group has business operation, are projected to rebound and grow in the forthcoming years after the respective economies had returned to normal.

Therefore, the Directors are of the view that despite the scale of the transaction amounts contemplated under CCT Agreements, it is unlikely for the Group to have reliance issue over on Eastern Home and Strawberry for the Company's business operation.

(2) Sustained and established relationship with the connected parties

The business relationship between the connected parties and the Group had begun since the Change of Control and had sustained and flourished throughout the Previous CCT Period. The Directors are of the view that the risk of the relationship between the Group and the connected parties being terminated shall be 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.

(3) Substitute customers to mitigate risk exposure

The Directors are of the view that even in the unlikely circumstances that the relationship with the connected parties, including Eastern Home and Strawberry, are terminated, 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 CCT Agreements.

The sale of products by the Group via various distribution channels of the connected persons such as Eastern Home, Strawberry, Eastern Global or ET New Retail 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 and Strawberry are comparable and readily available substitutes for Eastern Home and Strawberry for sale of the Group's products.

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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.

(4) Continuous effort of the Group to maintain its revenue in the future

The industries of which the connected persons are operating under the 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 while the transactions with the connected parties were battered by the adverse effect of the COVID-19 pandemic during the Previous CCT Period, with the subsidence of the COVID-19 pandemic and the return of normality of the geographical markets to which the Group operates, the Directors are of the view that the Company is capable of maintaining its revenue in the future regardless of the potential reliance of the connected persons.

The Directors (excluding the independent non-executive Directors) consider the terms of each of the CCT Agreements had been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are in the ordinary and usual course of business of the Group, and hence consider the terms of the continuing connected transactions as contemplated under the CCT Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

The views of the independent non-executive Directors are set out in the letter from the Independent Board Committee as enclosed on page 44 of this circular.

VII. LISTING RULES IMPLICATIONS

The transactions contemplated under each of the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (a) ET New Media, Eastern Home, Eastern Global, Eastern New Retail 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) as the highest applicable percentage ratio in respect of the aggregate of highest combined annual caps of each of the CCT Agreements exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the entering into of the CCT Agreements is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Dr. Lei Chien, Mr. Lin Chia-Wei, 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 CCT Agreements and the transactions contemplated respectively thereunder. As such, each of Dr. Lei Chien, Mr. Lin Chia-Wei, Ms. Lu Yu-Min and Ms. Lin Shu-Hua abstained from voting on the relevant board resolutions approving the CCT 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 CCT Agreements and the transactions contemplated respectively thereunder, nor are they required to abstain from voting on the relevant board resolutions approving the CCT Agreements and the transactions contemplated respectively thereunder.

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Since the Directors consider that the transactions contemplated under the CCT 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.

VIII. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE

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

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

IX. 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 23 August 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, to approve, among other things, the CCT Agreements and the transactions contemplated thereunder. The voting in relation to the CCT Agreements and the transactions contemplated thereunder 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.

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 CCT Agreements at the EGM.

A notice of EGM is set out on pages 108 to 112 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 10:00 a.m. on 21 August 2023) 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.

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X. 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 18 August 2023 to 23 August 2023, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 17 August 2023.

XI. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set up on pages 44 to 45 of this circular which contains its recommendation to the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder; (ii) the letter from Pelican set out on pages 48 to 102 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder.

The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the CCT Agreements and the transactions contemplated thereunder are (i) 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 CCT Agreements and the transactions contemplated thereunder.

XII. 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

* *For identification purpose only*

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 CCT Agreements and the transactions contemplated thereunder.

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)

4 August 2023

To the Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(I) RENEWAL OF PREVIOUS CCT AGREEMENTS; AND
(II) NEW CCT AGREEMENTS**

We refer to the circular of the Company to the Shareholders dated 4 August 2023 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the CCT Agreements and the transactions contemplated thereunder.

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 46 to 102 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the CCT Agreements and the transactions contemplated thereunder 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 renewal and/or entering into of the CCT Agreements are in the ordinary and usual course of business of the Company and in the interests of the Group and the Shareholders as a whole, and the CCT Agreements and the transactions contemplated thereunder 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 CCT Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
CHEN Ruey-Long
LIN Tsalm-Hsiang
YANG Shih-Chien
Independent non-executive Directors

LETTER FROM PELICAN



PELICAN FINANCIAL LIMITED

28/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

4 August 2023

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS (1) RENEWAL OF PREVIOUS CCT AGREEMENTS; AND (2) NEW CCT 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 CCT Agreements and the transactions contemplated respectively thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 4 August 2023 (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 announcements of the Company dated 12 May 2023 and 27 June 2023 (the “**Announcements**”), on 12 May 2023, Taiwan NB and NB China, each being subsidiaries of the Group, had entered into the CCT Renewal Agreements to renew the Previous CCT Agreements with ET New Media, Eastern Home, Eastern Global, ET New Retail and Strawberry, each being connected persons of the Group. Pursuant to the CCT Renewal Agreements, the Group shall continue to engage in transactions which principally concerns advertising, product consignment, trademark franchising and products wholesale with the connected parties.

On 12 May 2023, Taiwan NB has also, on top of the CCT Renewal Agreements, entered into the New CCT Agreements with Eastern Home and Eastern Global. Pursuant to the New CCT Agreements, the Group shall engage in products procurement in respect of health supplements, commodities and food with the connected parties.

Set out below are the subject matters of the CCT Agreements.

LETTER FROM PELICAN

The CCT Renewal Agreements

(i) *ET New Media Cooperation Agreement*

Pursuant to the agreement, Taiwan NB agreed to engage ET New Media to produce, publish and broadcast advertisements and to organise media events, with a view to enhance the image of the “Natural Beauty” brand and to raise public awareness on the brand (the “**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.

(ii) *Eastern Home Consignment Agreement*

a. *EH Products Consignment*

Pursuant to the agreement, (i) Taiwan NB shall engage Eastern Home to sell cosmetic and skincare products manufactured, distributed or sold by Taiwan NB (the “**EH Target Products**”) which are selected by Eastern Home as target products (the “**EH Products Consignment**”), and authorise Eastern Home to sell the EH Target Products to end customers and to use related promotional materials for such purpose; and (ii) Eastern Home shall be responsible for marketing and selling the EH Target Products to end customers through its own distribution channels or third party distribution channels.

b. *EH Cost Sharing*

Taiwan NB shall be fully responsible for the costs in relation to the sale of EH Products Consignment to end customers, including the costs associated with marketing, transportation and programme production (“**EH Cost Sharing**”).

c. *EH Trademark Licensing*

Eastern Home shall pay Taiwan NB a royalty for licence to use the trademarks of “Natural Beauty” (the “**EH Royalty**”).

(iii) *Eastern Home Franchise Agreement*

Pursuant to the agreement, Taiwan NB shall 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 discounts to the relevant retail prices for on-sale by Eastern Home.

LETTER FROM PELICAN

(iv) Eastern Global Sale Agreement

Pursuant to the agreement, Taiwan NB may from time to time sell and Eastern Global may from time to time make wholesale purchase of Taiwan NB products such as health supplements, skincare products and cosmetic products.

(v) ET New Retail Consignment Agreement

a. ET New Retail Products Consignment

Pursuant to the agreement, Taiwan NB agreed to engage ET New Retail to sell cosmetic and skincare products (the “**ET New Retail Target Products**”) supplied by Taiwan NB. Taiwan NB shall authorise ET New Retail to sell the ET New Retail Target Products to end customers and to use related promotional materials for such purpose (“**ET New Retail Products Consignment**”).

ET New Retail shall be responsible for marketing and selling the ET New Retail Target Products to end customers through its own distribution channels or third-party distribution channels.

b. ET New Retail Cost Sharing

Taiwan NB shall be responsible for the costs in relation to the sale of ET New Retail Products Consignment to end customers, including the costs associated with the marketing, transportation and programme production (“**ET New Retail Cost Sharing**”).

(vi) Strawberry Sale Agreement

Pursuant to the agreement, NB China may from time to time sell and 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.

The New CCT Agreements

(vii) Eastern Home Procurement Agreement

Pursuant to the agreement, Eastern Home may from time to time sell and Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food from Eastern Home for on-sale at its franchised/self-owned spas, medical cosmetology centers and counters.

(viii) Eastern Global Procurement Agreement

Pursuant to the agreement, Eastern Global may from time to time sell and Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food.

LETTER FROM PELICAN

LISTING RULES IMPLICATIONS

Since (a) ET New Media, Eastern Home, Eastern Global, Eastern New Retail 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) as the highest applicable percentage ratio in respect of the aggregate of highest combined annual caps of each of the CCT Agreements exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the transactions contemplated under each of the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the entering into of which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Dr. Lei Chien, Mr. Lin Chia-Wei, 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 CCT Agreements and the transactions contemplated respectively thereunder. As such, each of Dr. Lei Chien, Mr. Lin Chia-Wei, Ms. Lu Yu-Min and Ms. Lin Shu-Hua abstained from voting on the relevant board resolutions approving the CCT 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 CCT Agreements and the transactions contemplated respectively thereunder, nor are they required to abstain from voting on the relevant board resolutions approving the CCT Agreements and the transactions contemplated respectively thereunder.

Since the Directors consider that the transactions contemplated under the CCT 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.

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. Lin Tsalm-Hsiang, and Mr. Yang Shih-Chien, has been established to advise the Independent Shareholders on the terms of the CCT Agreements and the transactions contemplated respectively thereunder. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

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

LETTER FROM PELICAN

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of each of the CCT Agreements had been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are in the ordinary and usual course of business of the Group; (ii) whether the terms of each of the CCT Agreements 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 CCT Agreements and the transactions contemplated respectively thereunder 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 CCT Agreements, the audited annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), the Announcements 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.

LETTER FROM PELICAN

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the CCT Agreements and the transactions contemplated respectively thereunder, we have considered the following principal factors and reasons.

1. Background information of the Group and the connected persons

(i) *The Group*

The Company is listed on the Main Board of the Stock Exchange. The Group is principally engaged in (a) manufacturing and selling of 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, skin care consulting and beauty training.

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

Taiwan NB has entered into agreements with ET New Media, Eastern Home, Eastern Global and ET New Retail respectively.

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

NB China has entered into the Strawberry Sale Agreement with Strawberry.

(ii) *Information on the Connected Persons*

a. *ET New Media*

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

As at 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 90.25% of its shareholding by EMI, ET New Media is a connected person of the Company for the purposes of the Listing Rules and the transactions contemplated under the ET New Media Cooperation Agreement constitute continuing connected transactions of the Company.

LETTER FROM PELICAN

b. Eastern Home

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.

As of the Latest Practicable Date, Eastern Home is owned, directly or indirectly, as to approximately 25.87% by EMI; ultimately owned as to approximately 52.66% by individuals named Ms. Wang Yi-Xin (王藝馨), Ms. Wang Ci-Yin (王辭茵), Ms. Wang Ci-Han (王辭涵) and Mr. Hong Ci-Hua (洪辭華), who are all Independent Third Parties; and owned as to 21.47% by 147 minority shareholders, none of which individually control more than 5% of the beneficial ownership of Eastern Home.

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

However, as at the Latest Practicable Date, given that (a) EMI is holding, directly or indirectly, altogether approximately 25.87% of the shareholding in Eastern Home, (b) one member of the board of directors of Eastern Home, namely Mr. Liao Shang-Wen, is also the chairperson of EMI, (c) FESS is a controlling shareholder of the Company, and EMI is the 100% shareholder of FESS, (d) the vice president of Eastern Home, namely Mr. Chao Shih Heng, is the sole ultimate beneficial owner of Insbro which is holding 22.76% of the issued Shares, (e) one member of the board of directors of Eastern Home, namely Dr. Lei Chien, is also the chairperson and an executive Director of the Company, (f) the finance vice president of Eastern Home, namely Ms. Lin Shu-Hua, is also a non-executive Director of the Company; and (g) the Eastern Home Consignment Agreement, the Eastern Home Franchise Agreement and the Eastern Home Procurement Agreement were entered into on the same date as the other transactions disclosed in the Board Letter, 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 Consignment Agreement, the Eastern Home Franchise Agreement and the Eastern Home Procurement Agreement shall constitute continuing connected transactions of the Company.

c. Eastern Global

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

LETTER FROM PELICAN

As at the Latest Practicable Date, Eastern Global is owned and controlled by individuals named Ms. Wang Yi-Xin (王藝馨), Ms. Wang Ci-Yin (王辭茵), Ms. Wang Ci-Han (王辭涵) and Mr. Hong Ci-Hua (洪辭華), who are all Independent Third Parties, through Eastern Health Living Limited Company[#] (東森健康生活股份有限公司) (as to 45%), Xinkai Media Limited Company[#] (鑫凱傳播事業股份有限公司) (as to 35%), Yuanshun Co., Limited* (元順股份有限公司) (as to 5%), Hengtong Co., Limited* (亨通股份有限公司) (as to 5%), LiAn Co., Limited* (利安股份有限公司) (as to 5%) and Zhengzhe Co., Limited* (正喆股份有限公司) (as to 5%). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Eastern Global and its ultimate beneficial owners is an Independent Third Party. However, given that (a) one member of the board of directors and the vice-president 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 Sale Agreement and the Eastern Global Procurement Agreement were entered into on the same date as the other transactions disclosed in the Board Letter, 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 Eastern Global Sale Agreement and the Eastern Global Procurement Agreement shall constitute continuing connected transactions of the Company.

d. ET New Retail

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.

ET New Retail is a wholly-owned subsidiary of Eastern Home. As disclosed in the Board Letter, 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 Consignment Agreement shall constitute continuing connected transactions of the Company.

e. Strawberry

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

As disclosed in the Board Letter, the Directors consider that it is appropriate to voluntarily treat Eastern Home as a connected person of the Company. As at the Latest Practicable Date, (a) Strawberry is an indirect non-wholly owned subsidiary of Eastern Home and (b) Strawberry Sale Agreement was entered into on the same date as the other transactions disclosed in the Board Letter, the Directors consider that it is appropriate to voluntarily treat Strawberry as a connected person of the Company and to comply with Chapter 14A of the Listing Rules accordingly. As such, the transactions contemplated under the Strawberry Sale Agreement shall constitute continuing connected transactions of the Company.

LETTER FROM PELICAN

2. Financial information of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2022 as extracted from the 2022 Annual Report.

Table 1: Financial information of the Group

	For the year ended 31 December	
	2021	2022
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
<i>Revenue</i>		
– Sales of products	471,838	327,291
– Service income	15,972	8,589
	487,810	335,880
Total Revenue	487,810	335,880
Gross profit	305,988	189,130
(Loss)/Profit for the year	35,264	(30,472)

According to the 2022 Annual Report, revenue generated from the sales of products for the years ended 31 December 2021 and 2022 amounted to approximately HK\$471.8 million and HK\$327.3 million respectively, which represented approximately 96.7% and 97.4% of the total revenue of the Group and a decrease of approximately HK\$144.5 million or approximately 30.6%. As set out in the Annual Report, the Group's principal business activities are manufacturing and sales of a range of products – for instance, skin care, beauty and aroma-therapeutic products, health supplements and make-up products under the “Natural Beauty” brand and new beauty apparatus. As such, product sales are the Group's key revenue contributing factor and primarily come from franchised spas, online and other sales platforms, self-owned spas and concessionary counters at department stores. Meanwhile, the decrease in product sales was mainly driven by (i) the decrease in turnover in product sales in the PRC market by approximately 18.7% from approximately HK\$263.7 million in 2021 to approximately HK\$214.2 million in 2022; and (ii) the decrease in turnover in product sales in the Taiwan market by approximately 49.3% from approximately HK\$203.2 million in 2021 to approximately HK\$103.1 million in 2022. Service income generated by the Group in 2022 totalled approximately HK\$8.6 million as compared with HK\$16.0 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 two self-owned spas in the PRC and one self-owned spa in Malaysia. In 2022, service income decreased by approximately 46.2% to approximately HK\$8.6 million as compared to approximately HK\$16.0 million in 2021, which was mainly due to the decrease in turnover in spa services and medical cosmetology services income by approximately 41.1% to approximately HK\$8.6 million in 2022 compared with approximately HK\$14.6 million in 2021.

LETTER FROM PELICAN

Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2021 and 31 December 2022 as extracted from the 2022 Annual Report are summarized as follows:

Table 2: Financial position of the Group

	As at 31 December 2021	As at 31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Total assets		
– non-current assets	480,113	507,409
– current assets	450,331	364,900
	930,444	872,309
Total liabilities		
– non-current liabilities	34,560	24,070
– current liabilities	237,966	250,777
	272,526	274,847
Net current assets/(liabilities)	212,365	114,123
Net assets	657,918	597,462

The Group recorded total assets of approximately HK\$872.3 million as at 31 December 2022. The non-current assets of the Group mainly comprised of (i) investment properties of approximately HK\$228.7 million; (ii) property, plant and equipment of approximately HK\$197.0 million; (iii) deferred tax assets of approximately HK\$13.9 million; (iv) right-of-use assets of approximately HK\$41.1 million; and (v) goodwill of approximately HK\$25.7 million.

Meanwhile, the Group's current assets as at 31 December 2022 mainly consisted of (i) cash and cash equivalents of approximately HK\$168.6 million; (ii) trade and other receivables of approximately HK\$97.2 million; (iii) inventories of approximately HK\$98.8 million; and (iv) contract costs of approximately HK\$0.3 million.

LETTER FROM PELICAN

On the other hand, the Group recorded total liabilities of approximately HK\$274.8 million as at 31 December 2022. As such, the consolidated net current assets and net assets of the Group amounted to approximately HK\$114.1 million and HK\$597.5 million respectively. The Group's current ratio, which was calculated by dividing its current assets by its current liabilities, as at 31 December 2021 and 31 December 2022 were approximately 1.89 and approximately 1.46 respectively. With the cash and bank balances in hand, the Group's liquidity position remains strong to meet its working capital requirements.

3. Reasons for and benefits of entering into the CCT Agreements

As an Independent Financial Adviser, we have reviewed the benefits of entering into the CCT Agreements with the subsidiaries or associated companies of EMI and assessed whether they are fair and reasonable for the Independent Shareholders and in the interests of the Company and the Shareholders as a whole.

Based on our independent review, entering into the CCT Agreements would allow the Group to:

- (i) **Utilize EMI's resources and network:** EMI's network and resources can be leveraged to accelerate the expansion of the Group's business and improve its financial performance.
- (ii) **Strengthen its existing cooperation:** The existing cooperation between the Group and EMI's subsidiaries or associated companies has been satisfactory, and by entering into the CCT Renewal Agreements, the Group can continue and strengthen this cooperation.
- (iii) **Extend its contractual terms:** Entering into the CCT Renewal Agreements would extend the contractual terms of the relevant agreements, ensuring that the Group has a stable business relationship with the subsidiaries or associated companies of EMI over a longer period.
- (iv) **Adjust its annual caps for business growth:** Entering into the CCT Renewal Agreements would adjust the relevant annual caps, allowing the Group to conduct more business with the subsidiaries or associated companies of EMI and potentially increasing its revenue under the current market conditions.
- (v) **Fine-tune certain contract terms:** Entering into the CCT Renewal Agreements would fine-tune certain contract terms, ensuring that both parties have a clear understanding of their respective obligations and responsibilities.
- (vi) **Expand its scope of business cooperation:** Entering into the CCT Renewal Agreements, as well as the New CCT Agreements, would expand the scope of the Group's business cooperation, potentially providing the Group with access to new markets or products.

From our independent review, we consider that the terms of the CCT Agreements have been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are in the ordinary and usual course of business of the Group. Additionally, we have assessed that the terms of the CCT Agreements 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. Principal terms of the CCT Agreements

The CCT Renewal Agreements

(i) *ET New Media Cooperation Agreement*

On 12 May 2023, Taiwan NB entered into the ET New Media Cooperation Agreement with ET New Media. Pursuant to the agreement, 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.

Documents obtained and reviewed

In connection with the ET New Media Cooperation 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 2026; (ii) a schedule setting out the actual/estimated advertising fees payable by the Group to ET New Media under the Previous ET New Media Cooperation Agreement; and (iii) five sample of engagements entered into between the Group and ET New Media and three sample quotations for similar services offered by Independent Third Parties in 2022 and 2023.

Basis for determining price and other terms and our analysis

Under the ET New Media Cooperation 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) to be specified on the supplementary contracts to be entered between the parties regarding each advertising project.

Regarding the pricing term for the advertising service under the ET New Media Cooperation Agreement, which remains unchanged compared with those under the Previous ET New Media Cooperation Agreement, was determined by the parties to the ET New Media Cooperation Agreement with the aim of reducing advertising costs for Taiwan NB while ensuring that ET New Media's expenses were adequately covered. The pricing terms offered were no less favourable than those provided by Independent Third Parties for similar services.

LETTER FROM PELICAN

In our assessment of the price basis for advertising services provided by ET New Media, we have carefully reviewed payment records and terms of five sample engagements between the Group and ET New Media. These engagements involve placing the Group's advertisements on online news platform and in advertising light boxes at various public transportation stations. We have compared these records with three quotations for similar services offered by an Independent Third Party in 2022 and 2023. Furthermore, we have conducted independent research on the price of placing advertising on such platform. According to an article published by CT Cloud Tech Limited (CT媒體科技有限公司)^{#,1} a content marketing company in Taiwan, the price for placing an advertisement on online news platform ranged from NT\$25,000 to NT\$100,000 each piece depends on various factors, including the number of words, duration, and placement of the advertisement etc.. From our review, the price of advertising services provided by ET New Media were lower than the market rates for online news platform advertising services. On the other hand, for the advertisement at public transportation stations, we noted that from our discussion with the Company that there are limited comparable quotations from Independent Third Parties, owing to the unique nature of the advertising services in public transportation stations and the fact that ET New Media, as the dominant market player in the Taipei MRT advertising sector, holds the rights to advertise in the majority of the MRT stations. From our independent research on the price of placing advertising at public transportation stations, we noted that the range of such advertising service is between NT\$220,000 and NT\$240,000 per month, depends on the location of the stations, which is higher than the price from the engagement entered between the Group and ET New Media. Moreover, since ET New Media shall offer at least 50% discount to the Company, we are of the view that the price provided by ET New Media would be comparable to, or no less favourable than the ET New Media offer to its clients which are Independent Third Parties and the market price.

Additionally, we have taken into account the significant discount of at least 50% provided by ET New Media when evaluating the reasonableness of the fees and terms. Upon review of the available documents, we observed that the prices (net of discount) and/or terms offered by ET New Media align with the prices and/or terms for comparable services provided by the Independent Third Party. This comparison demonstrates that the advertising fees paid or to be paid by the Group to ET New Media are comparable to, or no less favourable than, the market price. 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 favourable than, such market prices and that the pricing basis for each advertising project under the ET New Media Cooperation Agreement is fair and reasonable.

¹ Please refer to the article published by CT Cloud Tech Limited (CT 媒體科技) dated 21 February 2023 at <https://newsleader.tw/press-release-ad/>

LETTER FROM PELICAN

Basis for determining the annual caps and our analysis

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

	1 Jun 2019 to 31 Dec 2019 <i>(Note 1)</i>	1 Jan 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
Existing annual caps under the Previous ET New Media Cooperation Agreement	NT\$15,000,000 (equivalent to approximately HK\$3,823,166)	NT\$21,000,000 (equivalent to approximately HK\$5,352,432)	NT\$35,000,000 (equivalent to approximately HK\$8,920,720)	NT\$56,000,000 (equivalent to approximately HK\$14,273,152)	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)
Actual transaction amounts	NT\$3,718,392 (equivalent to approximately HK\$947,733)	NT\$2,310,044 (equivalent to approximately HK\$588,778)	NT\$5,683,545 (equivalent to approximately HK\$1,448,606)	NT\$6,342,830 (equivalent to approximately HK\$1,616,643)	NT\$757,200 (equivalent to approximately HK\$192,993) <i>(Note 2)</i>
Utilisation rate	24.8%	11.0%	16.2%	11.3%	1.7% <i>(Note 3)</i>

	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Proposed annual caps under the ET New Media Cooperation Agreement	NT\$10,000,000 (equivalent to approximately HK\$2,548,772)	NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$35,000,000 (equivalent to approximately HK\$8,920,702)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)

Note 1: The aggregate fees paid by Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: The actual transaction amount paid by Taiwan NB in 2023 were recorded only between 1 January 2023 and 31 May 2023, which are unaudited and do not include value-added tax.

Note 3: The utilization rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate 5-month portion of the 8-month existing annual caps for illustration purposes. The 5-month portion of the existing annual caps under Previous ET New Media Cooperation Agreement is approximately NT\$43.8 million (equivalent to approximately HK\$11.2 million).

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In determining the annual caps for advertising services under the ET New Media Cooperation Agreement, the Group has taken into account (i) the historical transaction amount relating to fees for the Advertising Service paid or payable by Taiwan NB under the Previous ET New Media Cooperation Agreement; (ii) the marketing plan and campaigns of Taiwan NB for the same periods; and (iii) the advertising volume that Taiwan NB is expected to purchase from ET New Media for the same periods, having taken into account the impact of the subsidence of the COVID-19.

To assess the fairness and reasonableness of the above determining basis of the annual caps for advertising services under the ET New Media Cooperation Agreement, we have obtained the documents as mentioned above in the sub-section “Documents obtained and reviewed”. We have also discussed with the management the basis of the estimation of the advertising fee payable to ET New Media during the term of the ET New Media Cooperation Agreement 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. It is expected that the Group would be able to increase its brand awareness by allocating resources to advertising services, which would likely contribute to increasing its revenue in the coming years.

From our discussion with the Company, we understand that the Company is expected to place at least 10 advertisements in public transportation stations per quarter and 10 advertisements on online news platform each month, and with the expected average price of advertisement fee of NT\$115,000 per month and NT\$35,000 per piece respectively, along with a year-to-year increment. Upon reviewing and understanding the computation, we believe the bases and assumptions are fair and reasonable.

In addition, we noted that the relevant proposed annual caps for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$10 million, NT\$20 million, NT\$35 million and NT\$50 million (equivalent to approximately HK\$2.5 million, HK\$5.1 million, HK\$8.9 million and HK\$12.7 million), respectively, accounted for approximately 1.7%, 3.5%, 6.1% and 8.7% of the Group’s cost of sales of approximately HK\$146.8 million for the year ended 31 December 2022. Accordingly, we are of the view that the proposed annual caps for the ET New Media Cooperation Agreement are not excessive and reasonable.

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Furthermore, we have taken into account the low utilization rate of the advertising services provided by ET New Media during the period from 2020 to 2023, which we understand was due to the impact of the COVID-19 pandemic. Although there has been a worldwide relaxation of anti-epidemic measures, the utilization rate was 1.7% for the first five months ended 31 May 2023 due to a strategic decision by the Company to temporarily halt advertising efforts while reassessing and refining its marketing approach in response to the changing market conditions. The Group was aware of the previous relatively low utilization rate, thus it has reduced the proposed annual caps for the three years ending 31 August 2026 under the ET New Media Cooperation Agreement from the relevant annual caps of the Previous ET New Media Cooperation Agreement. However, we noted that the Group expects its business to improve in the coming years as the pandemic subsides, and it plans to increase its advertising spend to enhance its brand recognition and expand its customer base. We hold the view that the Group's proactive approach to ramping up advertising activities is in line with its growth strategy and should contribute positively to its future performance.

Also, as the Group and ET New Media have already established a 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 ET New Media Cooperation Agreement represents an opportunity to the Group to further enhance its brand awareness and increase sales.

In light of the above, we are of the view that the ET New Media Cooperation Agreement and the terms thereof are on normal commercial terms and the fees payable therefrom as well as the proposed annual caps under the ET New Media Cooperation Agreement are properly estimated, 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 Consignment Agreement*

On 12 May 2023, Taiwan NB entered into the Eastern Home Consignment Agreement with Eastern Home in respect of (a) product consignment, (b) cost sharing in relation to sales of products and (c) trademark licensing to Eastern Home.

Pursuant to the agreement,

- Taiwan NB shall engage Eastern Home to sell cosmetic and skincare products manufactured, distributed or sold by Taiwan NB which are selected by Eastern Home as target products;
- Taiwan NB shall authorise Eastern Home to sell the EH Target Products to end customers and to use related promotional materials for such purpose;

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- Eastern Home shall be responsible for marketing and selling the EH Target Products to end customers through its own distribution channels or third-party distribution channels;
- Taiwan NB shall be fully responsible for the costs in relation to the EH Products Consignment to end customers, including the costs associated with the marketing, transportation and programme production; and
- Eastern Home shall pay Taiwan NB a EH Royalty to use the trademarks of “Natural Beauty”.

Documents obtained and reviewed

In connection with the Eastern Home Consignment 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 the EH Royalty receivable by the Group from Eastern Home for the period; (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 Franchise Agreement; (iii) five samples of engagement entered into between the Group and Eastern Home for products procurement transactions in 2022 and five samples of order/quotation between the Group and Eastern Home for products procurement transactions in 2022; and (iv) 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**”).

Basis for determining price and other terms and our analysis

Under the Eastern Home Consignment Agreement, the price of the EH Target Products sold by Taiwan NB to Eastern Home shall be at 50% to 90% discount to their retail price, or 20% to 60% to their gross profit margin if the EH Target Products are OEM or ODM products. Meanwhile, Taiwan NB shall pay a sale commission at 2% of the internet sale proceeds during the month to Eastern Home. Taiwan NB shall additionally pay a marketing sponsorship fee at 3% of the relevant sale proceeds to Eastern Home for such EH Target Products sold during the month.

In addition, Eastern Home shall pay Taiwan NB an EH Royalty fee at 5% of the selling price (before tax; and after deduction of any discount) from the sale of mutually agreed products.

The parties to the Eastern Home Consignment 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.

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In respect of EH Cost Sharing, the parties agreed a list of business expenses to be included as part of costs in relation to the sales of EH Products Consignment 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 consignment agreements. Meanwhile, the rates of the EH 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 five sample engagements made between the Group and Eastern Home regarding the latter's products procurement and compared them to the three sample quotations 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. We have also obtained from the Company three Procurement Quotations to Franchisees, which show discounts ranging between 50% to 80% to the retail prices of those similar new products of Taiwan NB. These discounts are generally in line with the pricing term for products procurement by Eastern Home, as observed 70% discounts to the retail prices of similar products in the five sample engagements made between the Group and Eastern Home. 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 unfavourable than, such amount received or to be received from Independent Third Parties. It is noted that the proposed term for discounts under the Eastern Home Consignment Agreement of 50% to 90% discounts to the retail prices is higher than those under the Previous Eastern Home Consignment Agreement of 50% to 70% discounts to the retail prices, so as to provide greater flexibility to Eastern Home in light of the heightened competition of the e-commerce market. From our research, we understand that it is common in the cosmetic and skincare industry to price the product a retail price 20 to 50 times the cost,² meaning that the raw material cost only accounts for 2% to 5% of the retail price. Thus, offering a 50% to 90% discount to retail price for a channel is a strategic commercial decision of the manufacturer (i.e. the Company) that provides flexibility to its distribution partners. Based on our discussion with the Company, the Company would consider offering a similar discount to Independent Third Parties if deemed necessary and beneficial to the Group and upon negotiation. As such, we are of the view that this approach is reasonable, as the pricing terms would still be higher than the cost, ensuring profitability while fostering strong relationships with partners and promoting mutual growth in the market which is in the interest of the Company.

On the other hand, as there were no OEM or ODM products under the Previous Eastern Home Consignment Agreement, no comparison can be made. Nevertheless, we have also conducted a research in assessing the fairness and reasonableness of this term, we have identified 2 companies listed on the Main Board of the Stock Exchange, namely Bonjour Holdings Limited (stock code: 653.HK) and Ming Fai International Holdings Limited (stock code: 3828.HK), which (i) were principally engaged in the

² Please refer to the common pricing term in the cosmetic and skincare industry at <https://medium.com/nero%E7%9A%84%E7%94%A2%E5%93%81%E7%AD%96%E7%95%A5/%E6%B7%BA%E8%AB%87%E5%AE%9A%E5%83%B9%E7%AD%96%E7%95%A5-67ca60ab9687>

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manufacture and trading of beauty and skincare products; and (ii) had a market capitalisation between HK\$200 million and HK\$500 million in view that the market capitalisation of the Company was approximately HK\$1,021.1 million at the Last Practicable Date and the lack of closer comparable listed companies in terms of the size of the market capitalisation. We noted that the average gross profit margins, based on their latest annual report, of these comparable companies in the beauty industry are approximately 20.9%, which is at the lower end of the new terms for OEM and ODM products with a gross profit margin pricing range of 20% to 60%. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than the market level, and hence a reasonable and acceptable basis.

Accordingly, we consider that the pricing basis for products procurement by Eastern Home under the Eastern Home Consignment Agreement is fair and reasonable.

In reviewing the pricing term for the sales commission of 2%, we have conducted an independent market research and found that according to a research report dated 11 August 2022 released by KRDS³, a renowned digital platform agency in China, which is known for offering consumer insights and media audience research in PRC, beauty products e-commerce platforms in the PRC on average charged a sales commission of between 2% to 15% of the selling price in 2022. Given that the sales commission of at most 5% of the selling price under the Eastern Home Consignment Agreement are in line with the market rates, we consider such pricing terms for the sales commission to be fair and reasonable.

We have conducted a review of the pricing terms for the marketing sponsorship fee of 3% additionally payable by Taiwan NB for EH Target Products sold. Our analysis reveals that the relevant costs associated with marketing, transportation, and program production for EH Target Products, which form the basis for the 3% additional marketing sponsorship fee, are in line with the historical packaging, delivery, warehouse storage, box fees, payment gateway fees, and other relevant expenses carried out under the Previous Eastern Home Consignment Agreement. We have reviewed these cost breakdowns and compared them to industry standards for TV shopping and e-commerce businesses. From our review, we are of the view that these costs and rates are customary and reasonable.

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 Eastern Home Consignment Agreement, which agreed by both parties based on the market level of cost. 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. We have also reviewed the samples of Costs under the Previous Eastern Home Consignment Agreement and noted that the Costs were consistent with the agreed-upon terms, and the resulting overall transaction costs fell within the expected range. Accordingly, we consider such pricing term of the Costs to be fair and reasonable.

³ Please refer to the sales commission of the top Chinese E-commerce platforms at <https://www.thewechatagency.com/chinese-e-commerce-fees-rates/>

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In reviewing the pricing basis for the EH Royalty, we have conducted an independent market research and identified six comparable transactions contemplated under similar trademark licence/brand promotion agreements conducted by companies listed on the Stock Exchange during the past three years immediately preceding and up to the date of the Eastern Home Consignment Agreement. These agreements typically grant a licensee the right to use a trademark or brand name for marketing purposes, in exchange for a fee or royalty payment. On the other hand, given that from our review, we noted that a lot of the trademark licensing agreements were entered into by pharmaceutical companies listed on the Stock Exchange to acquire technical know-how and data for their research and development of medical products as well as aviation companies listed on the Stock Exchange to obtain rights for aircraft maintenance and leasing services, we consider those transactions as not comparable to the transactions contemplated under the Eastern Home Consignment Agreement as they were not entered into for marketing purposes. Accordingly, we have excluded them from our analysis.

Our research result is set out below and from our review, the market royalty rates ranged from nil to 5.0%, with an average royalty rate of approximately 1.3%. Accordingly, the EH Royalty rates of 5.0% of the selling price are in line with the market rates, and at the higher end of the market royalty rate, and hence we consider the pricing basis for the EH Royalty under the Eastern Home Consignment Agreement to be fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Table 3: Comparable analysis on the EH Royalty

Company (stock code)	Date of announcement	Royalty rate (%)	Type of services
Trinity Limited (891)	21 September 2020	5.0	Right to use the trademarks to design, manufacture, sell, distribute, market and promote the licensed products in the PRC, Hong Kong, Macau and Taiwan
Luen Thai Holdings Limited (311)	10 December 2021	Nil	Right to use the trademarks in relation to the developing, distributing, trading, producing, manufacturing, importing and/or exporting of medical and non-medical grade PPE (including but not limited to masks and isolation gowns)

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Company (stock code)	Date of announcement	Royalty rate (%)	Type of services
BOE Varitronix Limited (710)	30 December 2021	0.8	Right to use the trademark in connection with the licensed display products and services of the group
Shenzhen Pagoda Industrial (Group) Corporation Limited (2411)	16 December 2022	2.0	Right to use the trademark to sell products in connection with the franchised stores
BOE Varitronix Limited (710)	21 December 2022	0.5	Right to use the trademark in connection with the licensed display products and services of the group
China Overseas Grand Oceans Group Limited (81)	30 March 2023	1.0	Right to use the trademarks in PRC for or in connection with the marketing and sale of its real estate developments
	Maximum	5.0	
	Minimum	Nil	
	Average	1.3	

Source: *The Stock Exchange*

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Basis for determining the annual caps and our analysis

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

	1 Jun 2019 to 31 Dec 2019 <i>(Note 1)</i>	1 Jan 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
<i>In respect of EH Products Consignment</i>					
Existing annual caps under the Previous Eastern Home Consignment Agreement	NT\$200,000,000 (equivalent to approximately HK\$50,975,544)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762) <i>(Note 2)</i>	NT\$560,000,000 (equivalent to approximately HK\$142,731,525)	NT\$840,000,000 (equivalent to approximately HK\$214,097,287)	NT\$1,050,000,000 (equivalent to approximately HK\$267,621,609)
Actual transaction amounts	NT\$124,356,729 (equivalent to approximately HK\$31,695,695)	NT\$258,590,873 (equivalent to approximately HK\$65,908,918) <i>(Note 2)</i>	NT\$205,662,379 (equivalent to approximately HK\$52,418,651)	NT\$103,515,701 (equivalent to approximately HK\$26,383,792)	NT\$20,800,243 (equivalent to approximately HK\$5,301,519) <i>(Note 3)</i>
Utilisation rate	62.2%	92.4%	36.7%	12.3%	3.2% <i>(Note 4)</i>

In respect of EH Cost Sharing

Existing annual caps under the Previous Eastern Home Consignment Agreement	N/A	NT\$42,000,000 (equivalent to approximately HK\$10,704,806) <i>(Note 2)</i>	NT\$67,200,000 (equivalent to approximately HK\$17,127,783)	NT\$105,000,000 (equivalent to approximately HK\$26,672,161)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)
Actual transaction amounts	N/A	NT\$10,497,620 (equivalent to approximately HK\$2,675,604) <i>(Note 2)</i>	NT\$8,133,112 (equivalent to approximately HK\$2,072,945)	NT\$3,909,485 (equivalent to approximately HK\$996,439)	NT\$281,344 (equivalent to approximately HK\$71,708) <i>(Note 3)</i>
Utilisation rate	N/A	25.0%	12.1%	3.7%	0.3% <i>(Note 4)</i>

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	1 Jun 2019 to 31 Dec 2019 <i>(Note 1)</i>	1 Jan 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
<i>In respect of Royalty</i>					
Existing annual caps under the Previous Eastern Home Consignment Agreement	N/A	NT\$70,000,000 (equivalent to approximately HK\$17,841,441) <i>(Note 2)</i>	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762)	NT\$280,000,000 (equivalent to approximately HK\$71,365,762)
Actual transaction amounts	N/A	NT\$2,681,925 (equivalent to approximately HK\$683,562) <i>(Note 2)</i>	NT\$1,080,512 (equivalent to approximately HK\$275,398)	NT\$208,970 (equivalent to approximately HK\$53,262)	NT\$31,460 (equivalent to approximately HK\$8,018) <i>(Note 3)</i>
Utilisation rate	N/A	3.8%	0.8%	0.1%	0.02% <i>(Note 4)</i>
	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026	
Annual caps in respect of EH Products Consignment under the Eastern Home Consignment Agreement	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$200,000,000 (equivalent to approximately HK\$50,975,440)	NT\$300,000,000 (equivalent to approximately HK\$76,463,160)	NT\$500,000,000 (equivalent to approximately HK\$127,438,600)	
Annual caps in respect of EH Cost Sharing under the Eastern Home Consignment Agreement	NT\$2,800,000 (equivalent to approximately HK\$713,656)	NT\$12,000,000 (equivalent to approximately HK\$3,058,526)	NT\$17,000,000 (equivalent to approximately HK\$4,332,912)	NT\$28,000,000 (equivalent to approximately HK\$7,136,561)	
Annual caps in respect of EH Royalty under the Eastern Home Consignment Agreement	NT\$2,000,000 (equivalent to approximately HK\$509,754)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)	NT\$5,000,000 (equivalent to approximately HK\$1,274,386)	

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Note 1: The aggregate fees paid by and paid to Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: The contract period within the financial year ended 31 December 2020 lasted from 16 November 2020 to 31 December 2020.

Note 3: The actual transaction amounts paid by and paid to Taiwan NB in 2023 were recorded only between 1 January 2023 and 31 May 2023, which are unaudited and do not include value-added tax.

Note 4: The utilization rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate 5-month portion of the 8-month existing annual caps for illustration purposes. The 5-month portion of the existing annual caps under Previous Eastern Home Consignment Agreement in respect of EH Products Consignment, EH Cost Sharing and Royalty are approximately NT\$656.3 million, NT\$87.5 million and NT\$175 million (equivalent to approximately HK\$167.3 million, HK\$22.3 million and HK\$44.6 million), respectively.

In determining the annual caps under the Eastern Home Consignment Agreement, the Group has taken into account (i) the historical transaction amount in respect of the EH Products Consignment under the Previous Eastern Home Consignment Agreement; (ii) the projected sales of EH Target Products and the sales of products that are subject to the EH Royalty under the Eastern Home Consignment Agreement; and (iii) the projected amount of costs based on the projected sales of EH Target Products.

Due to the impact of the COVID-19 pandemic, the skin care and beauty product industry experienced a significant downturn, while there was a surge in demand for healthcare products. As a result, Eastern Home adjusted its focus towards healthcare products during the pandemic, which led to a lower utilization rate of the EH Target Products, which are cosmetic and skin care products, under the Previous Eastern Home Consignment Agreement in 2021 and 2022. The low utilization rate of the cost-sharing arrangement and royalty payments can be attributed to the lower utilization rate of the EH Target Products during the pandemic. As for the first quarter of 2023, although there has been a worldwide relaxation of anti-epidemic measures, the utilization rate was low due to a lag in consumer confidence and a slower-than-expected recovery in the market. The Group was aware of the relatively low utilization rate, thus it has reduced the proposed annual caps for the three years ending 31 August 2026. However, with the pandemic situation easing up, Eastern Home has refocused its strategic priorities and is expected to increase its sales of the EH Target Products. This is likely to contribute positively to the utilization of the EH Products Consignment, as well as the cost-sharing arrangement and royalty payments, resulting in a higher utilization rate going forward.

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To assess the fairness and reasonableness of the above determining basis of the proposed annual caps for the Eastern Home Consignment Agreement, we have obtained the documents as mentioned above in the sub-section "Documents obtained and reviewed". We noted that the relevant proposed annual caps in respect of EH Products Consignment for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$50 million, NT\$200 million, NT\$300 million and NT\$500 million (equivalent to approximately HK\$12.7 million, HK\$51.0 million, HK\$76.5 million and HK\$127.4 million), respectively, account for approximately 3.8%, 15.2%, 22.8% and 37.9% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. As for the EH Royalty, we noted that the relevant proposed annual caps for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$2 million, NT\$5 million, NT\$5 million and NT\$5 million (equivalent to approximately HK\$0.5 million, HK\$1.3 million, HK\$1.3 million and HK\$1.3 million), respectively, account for approximately 0.1%, 0.4%, 0.4% and 0.4% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. Given that the Group's revenue is expected to further increase in the coming three years, we are of the view that the proposed annual caps for the Eastern Home Consignment Agreement are not excessive and reasonable.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 sale commission) and the Royalty pursuant to the Eastern Home Consignment Agreement be properly estimated and achievable.

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In addition, from our discussion with the Company, we noted that the projected sales of EH Target Products is with reference to the target annual sales from Eastern Home, which takes into account (i) the historical revenue of Eastern Home in 2022; (ii) a growth rate of 10%, which anticipates a return to pre-COVID levels; (iii) the proportion of actual transaction amount under the Previous Eastern Home Consignment Agreement to the Eastern Home's revenue, which is approximately 10%; and (iv) the expected average price for EH Target Products, accounting for 50% of Eastern Home's retail price. From our independent research, we noted that (i) the market captilisation of the beauty and skincare industry in the PRC amounted to RMB946.8 billion in 2021 and expected to increase to RMB1,141.4 billion in 2023, representing a CAGR of approximately 9.8%⁴; and (ii) the market captilisation of the beauty care e-commerce market in Taiwan is projected to reach US\$191.70 million in 2023 and further to US\$282.50 million in 2027, with a CAGR of approximately 10.2%⁵. Since the Company generated more than 50% of revenue from the PRC and Eastern Home principally engaged in distribution of goods through TV shopping and e-commerce in Taiwan, we are of the view that these market data is appropriate as a reference for this agreement. Upon reviewing and understanding the computation, we believe the bases and assumptions are fair and reasonable.

Meanwhile, we also noted that the relevant proposed annual caps in respect of EH Cost Sharing for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$2.8 million, NT\$12 million, NT\$17 million and NT\$28 million (equivalent to approximately HK\$0.7 million, HK\$3.1 million, HK\$4.3 million and HK\$7.1 million), respectively, account for approximately 1.9%, 2.1%, 2.9% and 4.8% of the Group's cost of sales of approximately HK\$146.8 million for the year ended 31 December 2022. As such, the proposed annual caps in respect of EH Cost Sharing are relatively small compared to the Group's overall cost of sales.

⁴ Please refer to the market captilisation of the beauty and skincare industry in the PRC published by Frost and Sullivan, an independent global consulting firm, at <https://www.askci.com/news/chanye/20221202/1033432044330.shtml>

⁵ Please refer to the market captilisation of the beauty care e-commerce market in Taiwan published on Statista, a global research data company, at <https://www.statista.com/outlook/dmo/ecommerce/beauty-health-personal-household-care/beauty-care/taiwan>

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Moreover, we noticed that the proposed annual cap in respect of EH Cost Sharing is approximately 6% of the proposed annual cap in respect of EH Products Consignment, which aligns with the growth of the respective annual caps. 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 Previous 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 4% to 8% of the sales value. 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 4-15% 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, entering into the Eastern Home Consignment Agreement represents an opportunity to the Group to further expand its business and increase sales.

In light of the above, we are of the view that the sales (including the sales commission), EH Cost Sharing and EH Royalty, as well as the proposed annual caps under the Eastern Home Consignment Agreement, are properly estimated, and that the terms thereof are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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(iii) Eastern Home Franchise Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Home Franchise Agreement with Eastern Home. Pursuant to the agreement, 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.

Documents obtained and reviewed

In connection with the Eastern Home Franchise Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of target products to Eastern Home for the same period; (ii) three Procurement Quotations to Franchisees; and (iii) the 5-year business plans of Eastern Home.

Basis for determining price and other terms and our analysis

Under the Eastern Home Franchise Agreement, the price of the target products sold by Taiwan NB to Eastern Home shall be at 50% to 80% discount to their retail prices, or 80% to 90% discount to their retail prices if they are test products, salon-only products or near expiry products. Such pricing term was determined by the parties to the Eastern Home Franchise Agreement based on the wholesale market prices for similar products and in similar quantities offered by the Company to Independent Third Parties. From our discussions with the Company, the Taiwan NB products under the Eastern Home Franchise Agreement are mostly cosmetic and skin care products, which fall under the Taiwan NB brand name.

In this regard, we have obtained from the Company three Procurement Quotations to Franchisees. The discounts represented by the three Procurement Quotations to Franchisees ranged from 50% to 80% for normal target products and ranged from 80% to 90% for test products, salon-only products or near expiry products, which is in line with the 50% to 80% or 80% to 90% pricing terms under the Eastern Home Franchise Agreement, and hence we consider such pricing term under the Eastern Home Franchise Agreement to be fair and reasonable. Also, since most franchisees of Taiwan NB are Independent Third Parties, we are of the view that such pricing term under the Eastern Home Franchise 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 existing annual caps under the Previous Eastern Home Franchise Agreement and the proposed annual caps under the Eastern Home Franchise Agreement.

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	16 Nov 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
Existing annual caps under the Previous Eastern Home Franchise Agreement	NT\$42,000,000 (equivalent to approximately HK\$10,704,864)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$245,000,000 (equivalent to approximately HK\$62,445,042)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203)
Actual transaction amounts	NT\$7,818,117 (equivalent to approximately HK\$1,992,660)	NT\$24,899,431 (equivalent to approximately HK\$6,343,748)	NT\$17,899,845 (equivalent to approximately HK\$4,562,262)	NT\$7,705,009 (equivalent to approximately HK\$1,963,858) <i>(Note 2)</i>
<i>Utilisation rate</i>	<i>18.6%</i>	<i>17.8%</i>	<i>7.3%</i>	<i>3.5%</i> <i>(Note 3)</i>
	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Proposed annual caps under the Eastern Home Franchise Agreement	NT\$10,000,000 (equivalent to approximately HK\$2,548,772)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)

Note 1: The aggregate fees paid to Taiwan NB within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The actual transaction amounts paid to Taiwan NB for five months ended 31 May 2023 are unaudited and do not include value-added tax.

Note 3: The utilization rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate 5-month portion of the 8-month existing annual caps for illustration purposes. The 5-month portion of the existing annual caps under the Previous Eastern Home Franchise Agreement is NT\$218.8 million (equivalent to approximately HK\$55.8 million).

In determining the proposed annual caps for the Eastern Home Franchise Agreement, the Group has taken into account (i) the historical transaction amount in respect of the sale proceeds under the Previous Eastern Home Franchise Agreement; and (ii) the projected purchase amount of goods under the Eastern Home Franchise Agreement based on the 5-year business plan commencing from September 2023 for Eastern Home and having taken into account the impact of the subsidence of the COVID-19.

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We noticed the low utilisation rate under the Previous Eastern Home Franchise Agreement, and as discussed with the Company, it is most likely due to COVID-19 pandemic during the past few years. The pandemic had caused many customers to avoid physical shops and switch to online shopping, resulting in a decrease in foot traffic and sales for brick-and-mortar stores. This could have led to lower sales of the Taiwan NB products at Eastern Home's franchise stores and a corresponding lower utilization rate of the franchise agreement. As for the first quarter of 2023, although there has been a worldwide relaxation of anti-epidemic measures, the utilization rate was low due to a lag in consumer confidence and a slower-than-expected recovery in the market. The Group was aware of the relatively low utilization rate, thus it has reduced the proposed annual caps for the three years ending 31 August 2026 under the Eastern Home Franchise Agreement. As the pandemic slowly eased off and the global economy improves, it is anticipated that foot traffic and sales at physical stores will progressively rebound. This resurgence should contribute to an increased utilization rate for the Eastern Home Franchise Agreement and higher sales of Taiwan NB products.

To assess the fairness and reasonableness of the above determining basis of the proposed annual caps for the Eastern Home Franchise Agreement, we have obtained the documents as mentioned above in the sub-section "Documents obtained and reviewed". We noted that the relevant proposed annual caps for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$10 million, NT\$50 million, NT\$80 million and NT\$100 million (equivalent to approximately HK\$2.5 million, HK\$12.7 million, HK\$20.4 million and HK\$25.5 million), respectively, account for approximately 0.7%, 3.8%, 6.1% and 7.6% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. As such, we are of the view that the proposed annual caps for the Eastern Home Franchise Agreement are not excessive and reasonable.

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On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 fees payable by Eastern Home to Taiwan NB pursuant to the Eastern Home Franchise Agreement be properly estimated and achievable.

From our discussion with the Company, we understand that the projected purchase amount of goods under the Eastern Home Franchise Agreement is based on (i) the historical revenue of Eastern Home Franchise in 2022; (ii) a growth rate of 10%, which anticipates a return to pre-COVID levels; (iii) the proportion of actual transaction amount under the Previous Eastern Home Franchise Agreement to the revenue of Eastern Home Franchise of pre-COVID levels of approximately 50%; (iv) the expected average price for EH Target Products, accounting for 50% of Eastern Home Franchise's retail price. As discussed in previous sub-section headed "Eastern Home Consignment Agreement" of this letter, the beauty and skincare industry in the PRC is expected to have a 9.8% growth. Upon reviewing historical transaction amount and understanding the computation, we believe the bases and assumptions are fair and reasonable.

Also, it is noted that 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, entering into the Eastern Home Franchise Agreement represents an opportunity to the Group to further expand its business and increase sales.

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In light of the above, we are of the view that the Eastern Home Franchise 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 Agreement are properly estimated, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

(iv) Eastern Global Sale Agreement

On 12 May 2023, Taiwan NB entered into the Eastern Global Sale Agreement with Eastern Global. Pursuant to the agreement, Eastern Global may from time to time make wholesale purchase of Taiwan NB products such as health supplements, skincare products and cosmetic products, and Taiwan NB shall sell such products to Eastern Global at certain discount to relevant retail price.

Documents obtained and reviewed

In connection with the Eastern Global Sale 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 1 September 2023 to 31 August 2026; (ii) a schedule setting out the actual/estimated sales of target products to Eastern Global under the Previous Eastern Global Sale Agreement; (iii) five samples of order between the Group and Eastern Global for products procurement transactions in 2019-2022; (iv) five samples of engagement entered into between the Group and Eastern Global; and (v) five sets of purchase receipts provided by the Group to Independent Third Parties for the similar products of Taiwan NB.

Basis for determining price and other terms and our analysis

Under the Eastern Global Sale Agreement, the price of target products to be sold by Taiwan NB to Eastern Global shall be set at 50% to 80% discount to the relevant retail prices, or at 20% to 60% to the gross profit margin if they are OEM products and ODM products. From our discussions with the Company, the Taiwan NB products under the Eastern Global Sale Agreement are mostly OEM cosmetic and skincare products, which is under the brand name of Eastern Global.

In reviewing such pricing term, we have obtained five samples of order records and terms of five sample engagements made between the Group and 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 discounts to the relevant retail prices represented by the samples ranged from 50% to 80%, and 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.

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In addition, we have reviewed the cost of some OEM or ODM products under the Previous Eastern Global Sale Agreement, and noted that the gross profit margin ranged from 50% to 70%, which is similar to the pricing terms in the Eastern Global Sale Agreement. Alternatively, we have also compared the gross profit margins of the comparable companies in the beauty industry as discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, the average gross profit margins of these companies are approximately 20.9%, which is at the lower end of the terms for OEM and ODM products with a gross profit margin pricing range of 20% to 60% under the Eastern Global Sale Agreement. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than, the market level, and hence a reasonable and acceptable basis.

We understand from the discussion with the Company that the terms align with the Company’s overall pricing strategy, which aims to maintain a competitive advantage, improve profitability, and enhance customer satisfaction. By offering discounts to Eastern Global, the Company can strengthen its business relationship with Eastern Global, potentially leading to increased sales volume and expanded market reach. Hence, we consider that the pricing basis adopted in the Eastern Global Sale Agreement to be fair and reasonable.

Basis for determining the annual caps and our analysis

Set out below are the existing annual caps under the Previous Eastern Global Sale Agreement and the proposed annual caps under the Eastern Global Sale Agreement.

	1 Jun 2019 to 31 Dec 2019 <i>(Note 1)</i>	1 Jan 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
Existing annual caps under the Previous Eastern Global Sale Agreement	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203)	NT\$700,000,000 (equivalent to approximately HK\$178,414,406)	NT\$840,000,000 (equivalent to approximately HK\$214,097,287)
Actual transaction amounts	NT\$32,196,635 (equivalent to approximately HK\$8,206,188)	NT\$135,192,508 (equivalent to approximately HK\$34,457,488)	NT\$262,550,230 (equivalent to approximately HK\$66,918,067)	Nil	Nil <i>(Note 2)</i>
<i>Utilisation rate</i>	46.0%	96.6%	75.0%	Nil	Nil

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	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Proposed annual caps under the Eastern Global Sale Agreement	NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$150,000,000 (equivalent to approximately HK\$38,231,580)	NT\$200,000,000 (equivalent to approximately HK\$50,975,440)

Note 1: The aggregate fees paid to Taiwan NB within the financial year ended 31 December 2019, 2020, 2021 and 2022 include value-added tax.

Note 2: The actual transaction amounts paid to Taiwan NB in 2023 were recorded only between 1 January 2023 and 31 May 2023, which are unaudited and do not include value-added tax.

In determining the annual caps under the Eastern Global Sale Agreement, the Group has taken into account (i) the historical transaction amount of purchase made by Eastern Global under the Previous Eastern Global Sale Agreement; (ii) the projected amount of purchase to be made by Eastern Global under the Eastern Global Sale Agreement, having taken into account the impact of the subsidence of the COVID-19; and (iii) the changes in the price of the products to be purchased.

As shown in the above table, the utilization rate in 2022 and the first quarter of 2023 was nil, which had dropped significantly from approximately 96.6% and 75.0% in 2020 and 2021, respectively. We have discussed with the Group based on the observation and we understood that Eastern Global had stocked up on the Taiwan NB products in anticipation of strong demand. However, due to the pandemic, the demand for skincare products and cosmetic products has decreased, leading to a surplus of inventory. To mitigate the financial impact of holding unsold inventory, Eastern Global needed to sell its existing stock, which has resulted in a temporary halt in purchasing from Taiwan NB under the agreement. Despite the lower utilization rate of the Eastern Global Sale Agreement in 2022 and 2023, the Group has discussed with Eastern Global and understands that it is going to take proactive steps to stock up on Taiwan NB products in anticipation of increased demand. As for the first quarter of 2023, although there has been a worldwide relaxation of anti-epidemic measures, the utilization rate was low due to a lag in consumer confidence and a slower-than-expected recovery in the market. The Group was aware of the relatively low utilization rate, thus it has reduced the proposed annual caps for the three years ending 31 August 2026 under the Eastern Global Sale Agreement from the relevant annual caps of the Previous Eastern Global Sale Agreement. With the COVID-19 situation improving and markets reopening, Eastern Global is expected to see a surge in demand for health supplements, skin-care products, and cosmetic products, resulting in increased sales and a higher utilization rate of the sale agreement. The Group remains optimistic about the future prospects of the Eastern Global Sale Agreement.

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To assess the fairness and reasonableness of the above determining basis of the proposed annual caps for the Eastern Global Sale Agreement, we have obtained the documents as mentioned above in the sub-section "Documents obtained and reviewed". We noted that the relevant proposed annual caps for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$20 million, NT\$80 million, NT\$150 million and NT\$200 million (equivalent to approximately HK\$5.1 million, HK\$20.4 million, HK\$38.2 million and HK\$51.0 million), respectively, account for approximately 1.5%, 5.7%, 10.7% and 15.2% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. Given that the Group's revenue is expected to further increase in the coming three years, we are of the view that the proposed annual caps for the Eastern Global Sale Agreement are not excessive and reasonable.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 Sale Agreement to be properly estimated and achievable.

From our discussion with the Company, we understand that the projected amount of purchase to be made by Eastern Global under the Eastern Global Sale Agreement is based on (i) the historical revenue of Eastern Global; (ii) a growth rate of 10%, which anticipates a return to pre-COVID levels; (iii) the proportion of actual transaction amount under the Previous Eastern Global Sale Agreement to the revenue of Eastern Global of pre-COVID levels of approximately 20% in 2020 and 2021; (iv) the expected average price for EH Target Products, accounting for 50% of Eastern Global's retail price. As discussed in the previous sub-section headed "Eastern Home Consignment Agreement" of this letter, the beauty industry in the PRC is expected to have a 9.8% growth. Upon reviewing historical transaction amount and understanding the computation, we believe the bases and assumptions are fair and reasonable.

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Also, as the Group and Eastern Global have already established a 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.

In light of the above, we are of the view that the products procurement amount receivable by the Group from the Eastern Global Sale Agreement, as well as the proposed annual caps thereunder, are properly estimated, and that the terms thereof are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

(v) *ET New Retail Consignment Agreement*

On 12 May 2023, Taiwan NB, an indirect wholly-owned subsidiary of the Company, entered into the ET New Retail Consignment Agreement with ET New Retail in respect of (a) product consignment, (b) cost sharing in relation to the sales of products.

Pursuant to the agreement,

- Taiwan NB will engage ET New Retail to sell cosmetic and skincare products supplied by Taiwan NB;
- Taiwan NB shall authorise ET New Retail to sell the ET New Retail Target Products to end customers and to use related promotional materials for such purpose;
- ET New Retail shall be responsible for marketing and selling of the ET New Retail Target Products via channels owned by ET New Retail and other third party distribution channels; and
- Taiwan NB shall be responsible for the costs in relation to the sale of ET New Retail Products Consignment to end customers, including the costs associated with the marketing, transportation and programme production.

Documents obtained and reviewed

In connection with the ET New Retail Consignment 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; and (c) the projected amount of sale commission payable by the Group to ET New Retail; (ii) a schedule setting out information on the actual/estimated net proceeds received/to be received by the Group from ET New Retail under the Previous ET New Retail Consignment Agreement; (iii) five samples of engagement entered into between the Group and Eastern Home for

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products procurement transactions in 2022 and five samples of order/quotation between the Group and ET New Retail for products procurement transactions in 2022; and (iv) three Procurement Quotations to Franchisees.

Basis for determining price and other terms and our analysis

Under the ET New Retail Consignment Agreement, the price of the ET New Retail Target Products sold by Taiwan NB to ET New Retail shall be at 50% to 90% discount to their retail prices, or 20% to 60% to their gross profit margin if the ET New Retail Target Products are OEM or ODM products.

Meanwhile, Taiwan NB shall pay a sale commission at 2% of the internet sale proceeds during the month to ET New Retail. Taiwan NB shall additionally pay a marketing sponsorship fee at 3% of the relevant sale proceeds to ET New Retail for such ET New Retail Target Products sold during the month.

As disclosed in the Board Letter, the parties to the ET New Retail Consignment 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.

In reviewing the pricing basis for products procurement by ET New Retail, we have obtained from the Company three Procurement Quotations to Franchisees, which listed 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 three Procurement Quotations to Franchisees ranged from approximately 50% to 80% for similar products like ET New Retail Target Products, which is in line with the 50% to 90% range of discount applicable to ET New Retail's product procurement from the Company, pursuant to the ET New Retail Products Consignment. While the high end of the discounts for products procurement by ET New Retail may be slightly higher than that of the Procurement Quotations to Franchisees, we understand that, as discussed in previous sub-section headed "Eastern Home Consignment Agreement" of this letter, it is common in the cosmetic and skincare industry to price the product a retail price 20 to 50 times the cost, meaning that the raw material cost only accounts for 2% to 5% of the retail price. Thus, offering a 50% to 90% discount to retail price for a channel is a strategic commercial decision of the manufacturer (i.e. the Company) that provides flexibility to its distribution partners. As such, we are of the view that this approach is reasonable, as the pricing terms would still be higher than the cost, ensuring profitability while fostering strong relationships with partners and promoting mutual growth in the market, which is in the interest of the Company.

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On the other hand, as there were no OEM or ODM products in the Previous ET New Retail Products Consignment, no comparison can be made. However, as discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, we have compared the average gross profit margins of the comparable companies in the beauty industry. We noted that the said average gross profit margins are approximately 20.9%, which is at the lower end of the new terms for OEM and ODM products with a gross profit margin pricing range of 20% to 60% under the ET New Retail Products Consignment. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than, the market level, and hence a reasonable and acceptable basis.

Meanwhile, as discussed in the previous sub-section headed “Eastern Home Consignment Agreement” of this letter, we have conducted an independent market research and found that the market average commission ranged from 2% to 15% of the selling price in 2022. Accordingly, the annual commission (or reward) under the ET New Retail Procurement Agreement is in line with the market rates, we consider such pricing terms for the sales commission to be fair and reasonable.

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 that are agreed by both parties based on the market level of cost. 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. We have also reviewed the samples of Costs under the Previous Eastern Home Consignment Agreement and noted that the Costs were consistent with the agreed-upon terms, and the resulting overall transaction costs fell within the expected range. Accordingly, we consider such pricing term of the Costs to be fair and reasonable.

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Basis for determining the annual caps and our analysis

Set out below are the existing annual caps under the Previous ET New Retail Consignment Agreement and the respective proposed annual caps under the ET New Retail Consignment Agreement.

	16 Nov 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023
<i>In respect of ET New Retail Products Consignment</i>				
Existing annual caps under the Previous ET New Retail Consignment Agreement	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)	NT\$140,000,000 (equivalent to approximately HK\$35,682,881)	NT\$210,000,000 (equivalent to approximately HK\$53,524,322)	NT\$350,000,000 (equivalent to approximately HK\$89,207,203)
Actual transaction amounts	NT\$11,143,012 (equivalent to approximately HK\$2,840,100)	NT\$58,273,619 (equivalent to approximately HK\$14,852,617)	NT\$24,935,028 (equivalent to approximately HK\$6,355,370)	NT\$3,851,052 (equivalent to approximately HK\$981,547) <i>(Note 2)</i>
<i>Utilisation rate</i>	<i>15.9%</i>	<i>41.6%</i>	<i>11.9%</i>	<i>1.8%</i> <i>(Note 3)</i>

In respect of ET New Retail Cost Sharing

Existing annual caps under the Previous ET New Retail Consignment Agreement	NT\$21,000,000 (equivalent to approximately HK\$5,352,432)	NT\$35,000,000 (equivalent to approximately HK\$8,920,720)	NT\$56,000,000 (equivalent to approximately HK\$14,273,152)	NT\$70,000,000 (equivalent to approximately HK\$17,841,441)
Actual transaction amounts	NT\$30,279 (equivalent to approximately HK\$7,717)	NT\$2,086,494 (equivalent to approximately HK\$531,800)	NT\$921,041 (equivalent to approximately HK\$234,752)	NT\$39,292 (equivalent to approximately HK\$10,015) <i>(Note 2)</i>
<i>Utilisation rate</i>	<i>0.1%</i>	<i>6.0%</i>	<i>1.6%</i>	<i>0.1%</i> <i>(Note 3)</i>

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	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Annual caps for products procurement under the ET New Retail Consignment Agreement	NT\$20,000,000 (equivalent to approximately HK\$5,097,544)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$80,000,000 (equivalent to approximately HK\$20,390,176)	NT\$120,000,000 (equivalent to approximately HK\$30,585,264)
Annual caps for Costs under the ET New Retail Consignment Agreement	NT\$900,000 (equivalent to approximately HK\$229,389)	NT\$2,300,000 (equivalent to approximately HK\$586,218)	NT\$3,600,000 (equivalent to approximately HK\$917,558)	NT\$5,400,000 (equivalent to approximately HK\$1,376,337)

Note 1: The aggregate fees paid by and paid to Taiwan NB within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The actual transaction amounts paid by and paid to Taiwan NB in 2023 were recorded only between 1 January 2023 and 31 May 2023, which are unaudited and do not include value-added tax.

Note 3: The utilization rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate 5-month portion of the 8-month existing annual caps for illustration purposes. The 5-month portion of the existing annual caps under the Previous ET New Retail Consignment Agreement in respect of ET New Retail Products Consignment and ET New Retail Cost Sharing are approximately NT\$218.8 million and NT\$43.8 million (equivalent to approximately HK\$55.8 million and HK\$11.2 million), respectively.

In determining the annual caps for the amount of sales (including the annual commission) and ET New Retail Cost Sharing under the ET New Retail Consignment Agreement, the Group has taken into account (i) historical transaction amount in respect of the ET New Retail Products Consignment under the Previous ET New Retail Consignment Agreement; (ii) the projected sales of ET New Retail Target Products under the ET New Retail Consignment Agreement; and (iii) the projected amount of costs based on the projected sales of ET New Retail Target Products.

Based on our review of the ET New Retail Consignment Agreement, we have observed a similar trend in the utilization rate as seen in the Eastern Home Consignment Agreement. Due to the impact of the COVID-19 pandemic, the skincare and beauty product industry experienced a significant downturn, while there was a surge in demand for healthcare products. As a result, ET New Retail adjusted its focus towards healthcare products during the pandemic, which led to a lower utilization rate of the product consignment, cost sharing, and trademark licensing under the agreement in 2021 and 2022. As for the first quarter of 2023, although there has been a worldwide relaxation of anti-epidemic measures, the utilization rate was low due to a lag in consumer confidence and a slower-than-expected recovery in the market. The Group was aware of the relatively low utilization rate, thus it has reduced the proposed annual caps for the three years ending 31 August 2026 under the ET New Retail Consignment

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Agreement from the relevant annual caps of the Previous ET New Retail Consignment Agreement. However, as the pandemic situation eases up, the Company expects ET New Retail to refocus its strategic priorities towards the beauty and skin care products offered by Taiwan NB, resulting in a higher utilization rate going forward.

To assess the fairness and reasonableness of the above determining basis of the proposed annual caps for the ET New Retail Consignment Agreement, we have obtained the documents as mentioned above in the sub-section "Documents obtained and reviewed". We noted that the relevant proposed annual caps in respect of ET New Retail Products Consignment for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$20 million, NT\$50 million, NT\$80 million and NT\$120 million (equivalent to approximately HK\$5.1 million, HK\$12.7 million, HK\$20.4 million and HK\$30.6 million), respectively, account for approximately 1.5%, 3.8%, 6.1% and 9.1% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. As such, we are of the view that the proposed annual caps for the ET New Retail Consignment Agreement are reasonable and not excessive.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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) pursuant to the ET New Retail Consignment Agreement to be properly estimated and achievable.

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From our discussion with the Company, we understand that the projected sales of ET New Retail Target Products was with reference to the target annual sales from ET New Retail, which takes into account (i) the historical revenue of ET New Retail in 2022; (ii) a growth rate of 10%, which anticipates a return to pre-COVID levels; (iii) the proportion of actual transaction amount under the Previous ET New Retail Consignment Agreement to the revenue of ET New Retail of approximately 10%; and (iv) the expected average price for ET New Retail Target Products, accounting for 50% of ET New Retail's retail price. As discussed in previous sub-section headed "Eastern Home Consignment Agreement" of this letter, the beauty care e-commerce market in Taiwan is expected to have a 10.2% growth. Upon reviewing historical transaction amount and understanding the computation, we believe the bases and assumptions are fair and reasonable.

Moreover, we noticed that the proposed annual cap in respect of ET New Retail Cost Sharing is approximately 5% of the proposed annual cap in respect of ET New Retail Products Consignment, which aligns with the growth of the respective annual caps. 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 Previous ET New Retail 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 4% to 8% of the sales value. 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 4-15% of the corresponding sales value, we consider the proposed annual caps for the Costs to be properly estimated.

Meanwhile, we also noted that the relevant proposed annual caps in respect of EH Cost Sharing for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately NT\$0.9 million, NT\$2.3 million, NT\$3.6 million and NT\$5.4 million (equivalent to approximately HK\$0.2 million, HK\$0.6 million, HK\$0.9 million and HK\$1.4 million), respectively, account for approximately 0.1%, 0.4%, 0.6% and 1.0% of the Group's cost of sales of approximately HK\$146.8 million for the year ended 31 December 2022. As such, the proposed annual caps in respect of EH Cost Sharing are relatively small compared to the Group's overall cost of sales.

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 Consignment Agreement represents an opportunity to the Group to further expand its business and increase sales.

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In light of the above, we are of the view that the Costs payable and the sales receivable by the Group, as well as the respective proposed annual caps under ET New Retail Consignment 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.

(vi) *Strawberry Sale Agreement*

On 12 May 2023, NB China entered into the Strawberry Sale Agreement with Strawberry, pursuant to which NB China may from time to time sell and Strawberry may from time to time make wholesale purchase of products from NB China such as food, cosmetic products for on-sale to end customers.

Documents obtained and reviewed

In connection with the Strawberry Sale 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 1 September 2023 to 31 December 2026; (ii) a schedule setting out information on the actual/estimated amount of sales of NB China products to Strawberry from 16 November 2020 to 31 August 2023; and (iii) three sets of engagements entered into between the Group and Strawberry and three sample quotations for similar products and in similar quantities offered by the Group to Independent Third Parties.

Basis for determining price and other terms and our analysis

Under the Strawberry Sale Agreement, the price of products sold by NB China to Strawberry shall be set at (1) 50% to 75% discount to the relevant market retailing price and (2) at 20% to 60% to the gross profit margin if it is OEM products and ODM products. Such pricing term was determined by the parties to the Strawberry Sale 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 three sample quotation for similar products and in similar quantities offered by the Group to Independent Third Parties. The discounts represented by the said samples to Franchisees ranged from 50% to 70%, which generally is in line with the 50% to 75%, pricing terms under the Strawberry Sale Agreement. While the high end of the discounts for products procurement by Strawberry may be slightly higher than that of the Independent Third Parties, we understand that, as discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, it is common in the cosmetic and skincare industry to price the product a retail price 20 to 50 times the cost, meaning that the raw material cost only accounts for 2% to 5% of the retail price. Thus, offering a 50% to 75% discount to retail price for a channel is a strategic commercial decision of the manufacturer (i.e. the Company) that provides flexibility to its distribution partners. As such, we are of the view that this approach is reasonable, as the pricing terms would

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still be higher than the cost, ensuring profitability while fostering strong relationships with partners and promoting mutual growth in the market, which is in the interest of the Company.

On the other hand, as there were no OEM or ODM products in the Previous Strawberry Sale Agreement, no comparison can be made. However, as discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, the average gross profit margins of the comparable companies in the beauty industry are approximately 20.9%, which is at the lower end of the new terms for OEM and ODM products with a gross profit margin pricing range of 20% to 60% under the Strawberry Sale Agreement. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than the market level, and hence a reasonable and acceptable basis.

In reviewing the pricing term, we have obtained three samples of order records made between the Group and Strawberry regarding the latter’s previous products procurement, and compared them to the three sets of purchase receipts provided by the Group to Independent Third Parties for the similar products of NB China. Based on our review of the documents, we noted that the prices (net of discount) and/or terms offered to Strawberry 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 Strawberry was or would be comparable to, or no less unfavorable than, such amount received or would be received from Independent Third Parties.

Meanwhile, we noticed Strawberry entitled annual rebate based on the aggregated annual purchase amount, which is similar to the commission terms under the Eastern Home Consignment Agreement. As discussed in the previous sub-section headed “Eastern Home Consignment Agreement” of this letter, we have conducted independent market research and found that the market average commission ranged from 2% to 15% of the selling price in 2022. Accordingly, the annual rebate (or reward) under the Strawberry Sale Agreement is in line with the market rates, and thus we consider such pricing term for the annual rebate (or reward) to be fair and reasonable.

Hence, we consider that the pricing basis adopted in the Strawberry Sale Agreement to be fair and reasonable.

Basis for determining the annual caps and our analysis

Set out below are the existing annual caps under the Previous Strawberry Sale Agreement and the respective proposed annual caps under the Strawberry Sale Agreement.

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	16 Nov 2020 to 31 Dec 2020 <i>(Note 1)</i>	1 Jan 2021 to 31 Dec 2021 <i>(Note 1)</i>	1 Jan 2022 to 31 Dec 2022 <i>(Note 1)</i>	1 Jan 2023 to 31 Aug 2023 <i>(Notes 2 & 3)</i>
Existing annual caps under the Previous Strawberry Sale Agreement	HK\$5,250,000	HK\$10,500,000	HK\$17,500,000	HK\$26,250,000
Actual transaction amounts	Nil	HK\$886,772	HK\$5,412,803	HK\$8,129,053 <i>(Note 2)</i>
Utilisation rate	<i>Nil</i>	8.4%	30.9%	49.5% <i>(Note 3)</i>
	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Annual caps for products procurement under the Strawberry Sale Agreement	HK\$40,000,000	HK\$60,000,000	HK\$80,000,000	HK\$100,000,000

Note 1: The aggregate fees paid by and paid to Taiwan NB within the financial year ended 31 December 2020, 2021 and 2022 include value-added tax.

Note 2: The actual transaction amounts paid to Taiwan NB in 2023 were recorded only between 1 January 2023 and 31 May 2023, which are unaudited and do not include value-added tax.

Note 3: The utilization rate is calculated by taking the actual transaction amounts for the five months ended 31 May 2023 and dividing it by the proportionate 5-month portion of the 8-month existing annual caps for illustration purposes. The 5-month portion of the existing annual caps under the Previous Strawberry Sale Agreement is approximately HK\$16.4 million.

In determining the annual caps for aggregate amount of goods to be purchased under the Strawberry Sale Agreement, the Group has taken into account (i) the historical amount of purchase made by Strawberry under the Previous Strawberry Sale Agreement; (ii) the projected amount of purchase to be made by Strawberry under the Strawberry Sale Agreement, having taken into account the impact of the subsidence of the COVID-19; and (iii) the changes in the price of the products to be purchased.

We have obtained and reviewed (i) a schedule setting out the projected aggregate amount of goods to be purchased under the Strawberry Sale Agreement from the 1 September 2023 to 31 August 2026; (ii) a schedule setting out the actual/estimated aggregate amount of goods to be purchased by Strawberry under the Previous Strawberry Sale Agreement; and (iii) three samples of engagements entered into between the Group and Strawberry and three sample quotations for similar services offered by Independent Third Parties in 2021.

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Upon our review and our discussion with the Company, it appears that the low utilization rate as indicated in the table above is primarily due to the adverse impact of the COVID-19 pandemic. The pandemic has disrupted supply chains, affected consumer demand, and impacted the overall business operations of both parties, resulting in a lower utilization rate of the Strawberry Sale Agreement. To further enhance the performance of the Strawberry Sale Agreement, the Group is considering a closer collaboration with Strawberry to increase awareness and demand for the products.

In light of the low utilization rate, the Group has proposed setting a higher annual cap for the continuing connected transaction with Strawberry. This decision was made after considering various factors, including the anticipated recovery from the pandemic, strategic expansion plans, inflation and cost considerations and historical performance. For illustrative purposes, the utilisation rate for the first five months of 2023 was approximately 49.5% when compared to the proportionate 5-month portion of the 8-month existing annual caps of approximately HK\$16.4 million. The illustrated utilisation rate shows an improvement from the utilisation rate for the previous three years of nil, 8.4%, and 30.9% respectively, demonstrates a positive trend and potential for further growth. The Group believes that setting a higher annual cap would provide flexibility for both parties to fully leverage the agreement and capitalize on the anticipated growth in sales potential. By adjusting the annual cap, the Group can better accommodate the increasing demand and seize opportunities to expand its market presence, ultimately benefiting both the Group and Strawberry in the long run.

In addition, we noted that the relevant proposed annual caps in respect of Strawberry Sale Agreement for the 3 months ending 31 December 2023, 2 years ending 31 December 2025, and 8 months ending 31 August 2026 of approximately HK\$40.0 million, HK\$60.0 million, HK\$80.0 million and HK\$100.0 million, respectively, account for approximately 11.9%, 17.9%, 23.8% and 29.8% of the Group's revenue of approximately HK\$335.9 million for the year ended 31 December 2022. Given that the Group's revenue is expected to further increase in the coming three years, we are of the view that the proposed annual caps for the Strawberry Sale Agreement are not excessive and reasonable.

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On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 target 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 Sale Agreement, as well as the proposed annual caps, to be properly estimated and achievable.

From our discussion with the Company, we understand that the projected amount of purchase to be made by Strawberry under the Strawberry Sale Agreement is based on (i) the historical revenue of Strawberry in 2022; (ii) a growth rate of 10%, which anticipates a return to pre-COVID levels; (iii) the proportion of actual transaction amount under the Previous Strawberry Sale Agreement to the revenue of Strawberry of approximately 2%; (iv) the expected average price for products under the Strawberry Sale Agreement, accounting for 50% of Strawberry's retail price. From our independent research, we observed that the market capitalisation of the beauty care e-commerce market in Hong Kong is expected to have an annual growth rate of 10.7%⁶. Since the Strawberry is incorporated in Hong Kong and principally engaged in the sale of skin care and beauty products through the internet, we are of the view that these market data is appropriate as a reference for this agreement. Upon reviewing historical transaction amount and understanding the computation, we believe the bases and assumptions are fair and reasonable.

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

⁶ Please refer to the market capitalisation of the beauty care e-commerce market in Hong Kong that was published on Statista, a global research data company, at <https://www.statista.com/outlook/dmo/ecommerce/beauty-health-personal-household-care/beauty-care/hong-kong>

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the extensive sales channels operated by Strawberry. As a result, the entering into of the Strawberry Sale 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 Sale 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 Sale 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.

New CCT Agreements

(i) *Eastern Home Procurement Agreement*

On 12 May 2023, in addition to Eastern Home Consignment Agreement and the Eastern Home Franchise Agreement, Taiwan NB had also entered into the Eastern Home Procurement Agreement with Eastern Home, pursuant to which, Eastern Home may from time to time sell and Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food from Eastern Home for on-sale at its franchised/self-owned spas, medical cosmetology centers and counters.

Documents obtained and reviewed

In connection with the Eastern Home Procurement Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of target products from Eastern Home from 1 September 2023 to 31 August 2026; and (ii) three sets of market quotation samples for similar products offered by Independent Third Parties.

Basis for determining price and other terms and our analysis

Under the Eastern Home Procurement Agreement, the price of products sold by Eastern Home to Taiwan NB shall be set at (1) 50% to 80% discount to the relevant market retailing price and (2) at 10% to 30% to the gross profit margin if it is OEM products and ODM products. Such pricing term was determined by the parties to the Eastern Home Procurement Agreement based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Parties to the Company.

In this regard, we have obtained from the Company three sample quotations of similar products offered by Independent Third Parties. The discounts represented by the quotations ranged from 23% to 73%, which is generally in line with the 50% to 80% pricing term under the Eastern Home Procurement Agreement. Since the discount for products procured by the Company from Eastern Home are higher than that offered by the Independent Third Parties, the Company can purchase similar products with a more favourable price and hence we consider such pricing term under the Eastern Home Procurement Agreement to be fair and reasonable and in the interest of the Company.

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As the Eastern Home Procurement Agreement is a new CCT agreement, there is no direct comparison for the OEM and ODM products. As discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, the average gross profit margins of the comparable companies in the beauty industry are approximately 20.9%, which is within the range for OEM and ODM products with a gross profit margin pricing range of 10% to 30% under the Eastern Home Procurement Agreement. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than the market level, and hence a reasonable and acceptable basis.

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps in respect of the fees payable by Taiwan NB to Eastern Home under the Eastern Home Procurement Agreement.

	From 1 Sep 2023 to 31 Dec 2023	From 1 Jan 2024 to 31 Dec 2024	From 1 Jan 2025 to 31 Dec 2025	From 1 Jan 2026 to 31 Aug 2026
Annual caps for products procurement under the Eastern Home Procurement Agreement	NT\$15,000,000 (equivalent to approximately HK\$3,823,158)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)	NT\$150,000,000 (equivalent to approximately HK\$38,231,580)

The transactions contemplated under the Eastern Home Procurement Agreement are a new cooperation between Taiwan NB and Eastern Global, as such no historical transaction amount is available. In determining the annual caps for products procurement under the Eastern Home Procurement Agreement, the Group has taken into account the projected amount of purchase to be made by Taiwan NB under the Eastern Home Procurement Agreement based on the 5-year business plan commencing from September 2023 for Eastern Home, including the estimated sales volume of the Group of health supplement products at its distribution channels of franchised/self-owned spas, medical cosmetology centers and counters for the coming five years.

In respect of the 5-year business plan, we have reviewed and noticed that the assumption is based on (i) the estimated number of stores to be opened each year; (ii) the average amount of target products from Eastern Home to be sold at each store for the year/period; and (iii) a year-on-year increment.

According to the 2022 Annual Report, we noted that the Group had a network of distribution channels, including spas and concessionary counters in department stores. As at 31 December 2022, the Group had a total of 329 stores in Taiwan. From our discussion with the Company, we understand that the Company expects to open approximately 25 new stores each year.

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Based on our further discussion with the Company, we noted that the year-on-year increment was with reference to the expected annual growth rate of health supplement industry in Taiwan of approximately 5.6%. From our independent research, we noted that the market size of health supplements has grown 5.6% between 2020 and 2021, according to the Taiwan Food Industry Research and Development Institute⁷. We understand that the main products the Company intends to purchase from Eastern Home are health supplements, which will subsequently be sold through its franchise shops in Taiwan. Given the above, we believe it is fair and reasonable to reference the projected growth of the health supplement sector when determining the annual growth rate for the proposed annual caps.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 products procurement pursuant to the Eastern Home Procurement Agreement be properly estimated and achievable.

⁷ Please refer to the market size of health supplements in Taiwan shown on the International Trade Administration website at <https://www.trade.gov/marketintelligence/taiwan-dietary-supplements-market>

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From our discussions with the Company, we understand that the Group does not currently have the in-house capability to manufacture health supplement products but does sell to end customers as one of its ordinary and usual course of business. While the Company sells similar products as those from Eastern Home and Eastern Global, the categories and functions of these products differ. Based on our review of the various types of similar products, we noted that Eastern Home and Eastern Global specialize in health supplements for overall well-being such as immune system support and heart health, whereas the health supplements sold by the Company under other CCT agreements are supplements that support skin health such as collagen or vitamin C. Moreover, by offering Eastern Home and Global branded products, including commodities and food, alongside the Company's existing product range, the Company aims to diversify its offerings and cater to a broader range of customer preferences. This strategy could potentially attract more customers, increase sales, and enhance the overall competitiveness of the Company in the market.

Given that Eastern Home and Eastern Global can source health supplements at a lower cost due to their bulk purchasing power with independent third parties, the Group can benefit from purchasing these particular health supplements from Eastern Global and Eastern Home at a more competitive price. This strategy effectively lowers the cost of sales and generates higher profits as a whole.

In addition, the engagement between the Group and Eastern Home under Eastern Home Procurement Agreement would allow the Group to sell products of Eastern Home on their own platform, which would diversify its product offerings and expand its business operations, potentially increasing its revenue streams. As a result, the entering into of the Eastern Home Procurement 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 Procurement 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 Eastern Home Procurement Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(ii) *Eastern Global Procurement Agreement*

On 12 May 2023, Taiwan NB entered into the Eastern Global Procurement Agreement with Eastern Global. Pursuant to the agreement, Taiwan NB may from time to time make wholesale purchase of products such as health supplements, commodities and food, and Eastern Global shall sell such products to Taiwan NB at a certain discount to the relevant retail price.

Documents obtained and reviewed

In connection with the Eastern Global Procurement Agreement, we have obtained, reviewed and examined (i) a schedule setting out the projected amount of sales of products provided by Eastern Global from 1 September 2023 to 31 August 2026; and (ii) three sets of market quotation samples for similar products offered by Independent Third Parties.

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Basis for determining price and other terms and our analysis

Under the Eastern Global Procurement Agreement, the price of products sold by Eastern Global to Taiwan NB shall be at 50% to 80% discount to the relevant market retailing price, or at 10% to 30% to the gross profit margin if it is OEM products and ODM products. Such pricing term was determined by the parties to the Eastern Global Procurement Agreement based on the wholesale market prices for similar products and in similar quantities offered by Independent Third Parties to the Company.

In this regard, we have obtained from the Company three sample quotations of similar products offered by Independent Third Parties. The discounts represented by the quotations ranged from 26% to 80%, which is in line with the 50% to 80% or 10% to 30% pricing term under the Eastern Global Procurement Agreement and hence we consider such pricing term under the Eastern Global Procurement Agreement to be fair and reasonable.

As the Eastern Global Procurement Agreement is a new CCT agreement, there is no direct comparison for the OEM and ODM products. As discussed in previous sub-section headed “Eastern Home Consignment Agreement” of this letter, the average gross profit margins of the comparable companies in the beauty industry are approximately 20.9%, which is within the range for OEM and ODM products with a gross profit margin pricing range of 10% to 30% under the Eastern Home Procurement Agreement. As such, we are of the view that the new terms for OEM and ODM products is comparable to, or no less unfavourable than the market level, and hence a reasonable and acceptable basis.

Basis for determining the annual caps and our analysis

Set out below are the proposed annual caps in respect of the fees payable by Taiwan NB to Eastern Global under the Eastern Global Procurement Agreement.

	1 Sep 2023 to 31 Dec 2023	1 Jan 2024 to 31 Dec 2024	1 Jan 2025 to 31 Dec 2025	1 Jan 2026 to 31 Aug 2026
Annual caps for products procurement under the Eastern Global Procurement Agreement	NT\$15,000,000 (equivalent to approximately HK\$3,823,158)	NT\$30,000,000 (equivalent to approximately HK\$7,646,316)	NT\$50,000,000 (equivalent to approximately HK\$12,743,860)	NT\$100,000,000 (equivalent to approximately HK\$25,487,720)

The transactions contemplated under the Eastern Global Procurement Agreement are new cooperation between Taiwan NB and Eastern Global, as such no historical transaction amount is available. In determining the annual caps for products procurement under the Eastern Home Procurement Agreement, the Group has taken into account the projected amount of purchase to be made by Taiwan NB under the Eastern Global Procurement Agreement based on the 5-year business plan commencing from September 2023 for Eastern Global, including the estimated sales volume of the Group of health supplement products at its distribution channels of franchised/self-owned spas, medical cosmetology centers and counters for the coming five years.

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In respect of the 5-year business plan, we have reviewed and noticed that the assumption is based on (i) the estimated number of stores to be opened each year; (ii) the average amount of target products from Eastern Global to be sold at each store for the year/period; and (iii) a year-on-year increment.

According to the 2022 Annual Report, we noted that the Group had a network of distribution channels, including spas and concessionary counters in department stores. As at 31 December 2022, the Group had a total of 329 stores in Taiwan. From our discussion with the Company, we understand that the Company expects to open approximately 25 new stores in Taiwan each year.

Based on our further discussion with the Company, we noted that the year-on-year increment was with reference to the expected annual growth rate of health supplement industry in Taiwan approximately 5.6%. As discussed in the above section under “Eastern Home Procurement Agreement”, we believe it is fair and reasonable to reference the projected growth of the health supplement sector when determining the annual growth rate for the proposed annual caps.

On the other hand, we have also reviewed the financial forecast of the Group for the four years ending 31 December 2026, 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 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 products procurement pursuant to the Eastern Global Procurement Agreement be properly estimated and achievable.

LETTER FROM PELICAN

From our discussions with the Company, we understand that the Group does not currently have the in-house capability to manufacture health supplement products but does sell to end customers as one of its ordinary and usual course of business. While the Company sells similar products as those from Eastern Home and Eastern Global, the categories and functions of these products differ. Based on our review of the various types of similar products, we noted that Eastern Home and Eastern Global specialize in health supplements for overall well-being such as immune system support and heart health, whereas the health supplements sold by the Company under other CCT agreements are supplements that support skin health such as collagen or vitamin C. Moreover, by offering Eastern Home and Global branded products, including commodities and food, alongside the Company's existing product range, the Company aims to diversify its offerings and cater to a broader range of customer preferences. This strategy could potentially attract more customers, increase sales, and enhance the overall competitiveness of the Company in the market.

Given that Eastern Home and Eastern Global can source health supplements at a lower cost due to their bulk purchasing power with independent third parties, the Group can benefit from purchasing these particular health supplements from Eastern Global and Eastern Home at a more competitive price. This strategy effectively lowers the cost of sales and generates higher profits as a whole.

In addition, the engagement between the Group and Eastern Global under Eastern Global Procurement Agreement would allow the Group to sell products of Eastern Global on their own platform, which would diversify its product offerings and expand its business operations, potentially increasing its revenue streams. As a result, the entering into of the Eastern Global Procurement 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 Procurement 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 Eastern Global Procurement Agreement are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN

INTERNAL CONTROL MEASURES

In respect of each of the continuing connected transaction contemplated thereunder the CCT Agreements (applying to both the CCT Renewal Agreements and the New CCT Agreements), the Group shall procure the connected persons to enter into sales orders/purchase contracts and/or agreements (refer to as “**order**” or “**sales or procurement contracts**” in general hereinafter, where appropriate). To ensure that the terms of each of the sales or procurement 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 had 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 or procurement 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 or procurement 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 or procurement 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 the 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 or procurement 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 CCT 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 CCT Agreements. In addition, the internal accounting department shall prepare a quarterly internal control report, which specifies the aggregate transaction amounts of the CCT Agreements incurred in that quarter, and shall submit such report to the chief financial officer of the Company for review before further passing it to the audit committee of the Company for its review. If and when the chief financial officer of the Company or the audit committee of the Company becomes aware of any signs of deficiency in the internal control system or that the actual aggregate transaction amount of any transaction under the CCT Agreements will soon exceed its annual cap for the relevant quarter, he/she/it shall ensure that appropriate internal control procedures would be taken and no further transactions in respect of that particular transaction shall be carried out for the remainder of the contract terms;

LETTER FROM PELICAN

- (v) the auditors of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under each of the CCT Agreements;
- (vi) the internal audit department of the Group will conduct annual review on the pricing and the annual caps of the transactions contemplated under each of the CCT Agreements; and
- (vii) the independent non-executive Directors will conduct an annual review each of the CCT 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 3 relevant transactions under each of the Previous 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 favourable than, the market prices and terms.

Further, given that (i) each individual agreement or sales or procurement contract in respect of the transactions contemplated under the CCT 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 CCT Agreements will be conducted on normal commercial terms; (ii) there is appropriate segregation of duties in the approval process in each of the engagements and orders; (iii) a monitoring system is in place with the chief financial officer overseeing to ensure that the annual caps of the transactions contemplated under the CCT Agreements are not exceeded from time to time; and (iv) the pricing and the annual caps of the transactions contemplated under the CCT Agreements will be annually reviewed by the auditors, the internal audit department and the independent non-executive Directors of the Group, we are satisfied that the internal control measures 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

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the entering into of the CCT Agreements is in the ordinary and usual course of business of the Group. Meanwhile, the terms of the CCT Agreements 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 CCT Agreements 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

For identification purpose only

* *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.*

APPENDIX I

GENERAL INFORMATION

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:

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

APPENDIX I

GENERAL INFORMATION

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.

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GENERAL INFORMATION

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 2022, 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 2022, 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.

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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 2022, 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. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.ir-cloud.com/hongkong/00157/irwebsite) for a period of fourteen (14) days (both days inclusive):

- (i) the ET New Media Cooperation Agreement;
- (ii) the Eastern Home Consignment Agreement;
- (iii) the Eastern Home Franchise Agreement;
- (iv) the Eastern Global Sale Agreement;
- (v) the ET New Retail Consignment Agreement;
- (vi) the Strawberry Sale Agreement;
- (vii) the Eastern Home Procurement Agreement; and
- (viii) the Eastern Global Procurement Agreement.

10. MISCELLANEOUS

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

NOTICE OF EGM

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自然美

NATURAL BEAUTY

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00157)

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 23 August 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- 1 (a) the ET New Media Cooperation Agreement dated 12 May 2023 (as defined in the circular of the Company dated 4 August 2023) (the “Circular”), a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the board of the Company (the “Board”), if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Cooperation Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
- 2 (a) the Eastern Home Consignment Agreement dated 12 May 2023 (as defined in the Circular), a copy of which marked “B” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual caps for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;

NOTICE OF EGM

- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Consignment Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
- 3 (a) the Eastern Home Franchise Agreement dated 12 May 2023 (as defined in the Circular), a copy of which marked “C” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 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 Eastern Global Sale Agreement dated 12 May 2023 (as defined in the Circular), a copy of which marked “D” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Sale Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;

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- 5 (a) the ET New Retail Consignment Agreement dated 12 May 2023 (as defined in the Circular), a copy of which marked “E” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Consignment Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents;
- 6 (a) the Strawberry Sale Agreement dated 12 May 2023, a copy of which marked “F” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Sale 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 Home Procurement Agreement dated 12 May 2023, a copy of which marked “G” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;

NOTICE OF EGM

- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Procurement Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents; and
- 8 (a) the Eastern Global Procurement Agreement dated 12 May 2023, a copy of which marked “H” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder and the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026 be and are hereby approved;
- (b) two directors of the Company, any one director and the secretary (as defined in the articles of association of the Company) of the Company, or some other person(s) (including a director and/or secretary of the Company) appointed by the Board, if the affixation of the common seal is necessary, be and is/are hereby authorised 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 Procurement Agreement, and otherwise in connection with the implementation of the transactions, contemplated thereunder, including, without limitation, the execution, amendment, supplement, delivery, waiver, submission and implementation of any further agreements, deeds or other documents.”

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

Hong Kong, 4 August 2023

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,

NOTICE OF EGM

Wanchai, Hong Kong not less than 48 hours before the time appointed for the above meeting (i.e. not later than 10:00 a.m. on 21 August 2023) 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 18 August 2023 to 23 August 2023, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 August 2023. In the event that the EGM is adjourned to a date later than 23 August 2023 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. Lin Chia-Wei 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. Lin Tsalm-Hsiang and Mr. Yang Shih-Chien as independent non-executive directors.

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自然美

NATURAL BEAUTY

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00157)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING OF NATURAL BEAUTY BIO-TECHNOLOGY LIMITED TO BE HELD AT 10:00 A.M. ON 23 AUGUST 2023 (OR AT ANY ADJOURNMENT THEREOF)

I/We^(Note 2) _____
of _____
being the registered holder(s) of shares in the issued share capital of Natural Beauty Bio-Technology Limited (the "Company") hereby appoint the Chairman of
the meeting^(Note 3) or _____
of _____
as my/our proxy to attend, act and vote for me/us and on my/our behalf as directed below at the extraordinary general meeting (the "EGM") of the Company to
be held at the Conference Room, 8/F, 368 Section 1 Fuxing South Road, Da'an District, Taipei, Taiwan on 23 August 2023 at 10:00 a.m. (and at any
adjournment thereof).

Please tick ("✓") the appropriate boxes to indicate how you wish your vote(s) to be cast^(Note 4).

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve, confirm and ratify the ET New Media Cooperation Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
2.	To approve, confirm and ratify the Eastern Home Consignment Agreement dated 12 May 2023 and to approve the proposed annual caps for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
3.	To approve, confirm and ratify the Eastern Home Franchise Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
4.	To approve, confirm and ratify the Eastern Global Sale Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
5.	To approve, confirm and ratify the ET New Retail Consignment Agreement dated 12 May 2023 and to approve the proposed annual caps for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
6.	To approve, confirm and ratify the Strawberry Sale Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
7.	To approve, confirm and ratify the Eastern Home Procurement Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		
8.	To approve, confirm and ratify the Eastern Global Procurement Agreement dated 12 May 2023 and to approve the proposed annual cap for the transactions contemplated thereunder for the term from 1 September 2023 to 31 August 2026.		

Note: For full text of the above resolutions, please refer to the notice of EGM dated 4 August 2023.

Date: _____ 2023 Signature^(Note 5) _____

Notes:

- Please insert the number of shares to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s). If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified.
- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- If any proxy other than the Chairman of the meeting is preferred, please strike out the words "the Chairman of the meeting" and insert the name and address of the proxy desired in the space provided. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy/more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, PLEASE TICK ("✓") THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, PLEASE TICK ("✓") THE BOX MARKED "AGAINST".** If no direction is given, your proxy will vote or abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the EGM other than those referred to in the notice convening the EGM.
- This form of proxy must be signed by you or your attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under the hand of an officer or attorney so authorized. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
- In case of joint holders, 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.
- In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, 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 EGM (i.e. not later than 10:00 a.m. on 21 August 2023).
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

PERSONAL INFORMATION COLLECTION STATEMENT

Your supply of your and your proxy's (or proxies') name(s) and address(es) is on a voluntary basis for the purpose of processing your request for the appointment of a proxy (or proxies) and your voting instructions for the EGM (the "Purposes"). We may transfer your and your proxy's (or proxies') name(s) and address(es) to our agent, contractor, or third party service provider who provides administrative, computer and other services to us for use in connection with the Purposes and to such parties who are authorised by law to request the information or are otherwise relevant for the Purposes and need to receive the information. Your and your proxy's (or proxies') name(s) and address(es) will be retained for such period as may be necessary to fulfil the Purposes. Request for access to and/or correction of the relevant personal data can be made in accordance with the provisions of the Personal Data (Privacy) Ordinance and any such request should be in writing by either of the following means:

By mail to: Personal Data Privacy Officer
Hong Kong Registrars Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
By email to: hkinfo@computershare.com.hk