
CONNECTED TRANSACTIONS

Prior to the [REDACTED], our Group has entered into certain transactions with parties who will, upon the [REDACTED], become connected persons of our Company. Details of such transactions, which constitute continuing connected transactions of our Company following the [REDACTED], are set out below.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Licence Agreement with Tycoon Basketball Team

Mr. Wong is the team owner of Tycoon Basketball Team (“**Basketball Team**”), one of the participating teams of the 2018-2019 Hong Kong A1 Division basketball league.

Tycoon Hong Kong has entered into a licence agreement (“**Licence Agreement**”) on 23 March 2020 with Mr. Wong as the team owner of the Basketball Team, pursuant to which Tycoon Hong Kong agreed to grant to Mr. Wong a one-off non-exclusive and non-transferable licence (“**Licence**”) during the term of the Licence Agreement to: (1) use, reproduce and display the name of “Tycoon” and “滿貫” (“**Relevant Name**”) as the name of the Basketball Team; and (2) use, reproduce and display Tycoon Hong Kong’s trade names, logo designs and trademarks as approved by Tycoon Hong Kong in advance (“**Relevant Materials**”), as the logo of the Basketball Team, in any medium of advertising, promotional products, or materials used solely in connection with the Basketball Team. Mr. Wong agrees to Tycoon Hong Kong that, among other things, he (i) will endeavour to procure the Basketball Team to conduct itself in a manner so as to present a professional and high quality promotion and image of the sport and the Basketball Team; (ii) must not bring into disrepute or otherwise damage the name or goodwill or the corporate identification of Tycoon Hong Kong including but not limited to the Relevant Name and/or the Relevant Materials; and (iii) shall not, and shall procure the Basketball Team not to, do or permit to be done, nor omit to do in connection with his/its use of the Relevant Name and the Relevant Materials, any act or thing which would or might jeopardise or invalidate any registration of the Relevant Materials (where applicable) or give rise to an application to remove or revoke any of the Relevant Materials from the register of trademarks maintained by the relevant trade marks registry, or which might prejudice the right or title of Tycoon Hong Kong to any of the Relevant Materials. In consideration for the performance by Mr. Wong of his obligations under the Licence Agreement, Tycoon Hong Kong agreed to pay to Mr. Wong a nominal non-refundable fee of HK\$1.00. The Licence Agreement will be valid for the period commencing from the date of the Licence Agreement and until 31 December 2021 (both days inclusive). Either party may give the other party not less than 60 days prior written notice to terminate the Licence Agreement.

Reasons for entering into of the Licence Agreement

Mr. Wong is the team owner of the Basketball Team since 2016, which had then come to be known as “Tycoon Basketball Team 滿貫籃球隊”. Mr. Wong has been supporting the Basketball Team’s expenses solely out of his own funds. With a view to supporting the sports movement in Hong Kong and considering that the grant of the Licence to use the name “Tycoon 滿貫” for the Basketball Team would allow the Basketball Team to promote goodwill and corporate identification of our Group, our Directors consider that the terms of the Licence Agreement, including the payment of the nominal fee, were favourable to our Company and it is in the interests of our Company and our Shareholders as a whole to enter into the Licence Agreement.

CONNECTED TRANSACTIONS

Listing Rules implications

The transaction contemplated under the Licence Agreement constitutes a de minimis continuing connected transaction that will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

CR Pharmaceutical is the holding company of [REDACTED] Investor A, our substantial Shareholder. CR Pharmaceutical and each of its subsidiaries (including CR Care, one of our existing customers, and Hong Kong CR Sanjiu) will become our connected persons upon the [REDACTED].

As at the Latest Practicable Date, the transactions contemplated under each of the agreements described below were subsisting and such transactions are expected to continue following the [REDACTED]. As such, such transactions will constitute continuing connected transactions of our Company after the [REDACTED].

(1) Master Supply Agreement

Date

1 January 2020

Parties

Supplier : Tycoon Hong Kong, a wholly-owned subsidiary of our Company

Purchaser : CR Pharmaceutical, the holding company of [REDACTED] Investor A which was/is our substantial Shareholder as at the Latest Practicable Date and upon [REDACTED].

Duration

The Master Supply Agreement is for a term commencing on the date of such agreement and ending on 31 December 2021.

Nature of transaction

Pursuant to the Master Supply Agreement, Tycoon Hong Kong agreed to sell or procure its fellow subsidiary(ies) to sell and CR Pharmaceutical agreed to purchase, through itself or its subsidiary(ies), certain PCM, health supplement and other healthcare products sold by our Group ("**Contract Products**"). There is no minimum supply amount under the Master Supply Agreement.

Termination

During the term of the Master Supply Agreement, any party to the Master Supply Agreement has the right to terminate the Master Supply Agreement by giving not less than three months' notice in writing to the other party.

CONNECTED TRANSACTIONS

Pricing and payment terms

Pursuant to the Master Supply Agreement, the prices, payment terms, quantities and detailed terms with respect to the Contract Products shall be determined in accordance with the specific purchase orders to be agreed between Tycoon Hong Kong and CR Pharmaceutical and shall be on normal commercial terms negotiated on an arm’s length basis by the parties with reference to the prevailing selling prices of the Contract Products and at prices and terms (including the payment terms) no more favourable to CR Pharmaceutical than prices and terms (including the payment terms) of sale of such Contract Products by our Group to other independent customers.

In determining the actual transaction prices and terms of the Contract Products in respect of each purchase order, our Group will take into account the then prevailing market price of the Contract Products, the volume of such Contract Products in the purchase order and (where applicable) the terms of supply between our Group and our suppliers (including, if any, the suggested retail price of such Contract Products from the suppliers).

Reasons for entering into the transactions contemplated under the Master Supply Agreement

We are a provider of a number of PCM, health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong. On the other hand, CR Care, a wholly-owned subsidiary of CR Pharmaceutical, is one of the leading health chain retailers in Hong Kong that had approximately 96 retail outlets as at 31 December 2019 according to the Ipsos Report. In addition, CR Pharma Group was operating over 840 retail pharmacies under national or regional premium brands – “CR Care (華潤堂)”, “Yibaoquanxin (醫保全新)”, “Li’an chain (禮安連鎖)” and “Tung Tak Tong (同德堂)” in the PRC according to the 2019 interim report of CR Pharmaceutical. Our Directors believe that the network of CR Pharma Group serves as a good selling platform through which we can bring our products to more consumers. Our Directors consider that it is in the interest of our Shareholders and our Group as a whole to enter into the Master Supply Agreement and continue to supply the Contract Products to CR Pharmaceutical and its subsidiaries.

Historical figures and annual caps

Set out below is a summary of the historical total sales by our Group to CR Care during the Track Record Period and the proposed annual caps in respect of the transactions contemplated under the Master Supply Agreement:

Historical sales amount			Proposed annual cap for each of the two years ending 31 December 2021	
FY2017	FY2018	FY2019	FY2020	FY2021
<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
24,103	31,664	46,644	160,000	210,000

CONNECTED TRANSACTIONS

Basis of annual caps

The proposed annual caps in respect of the transactions contemplated under the Master Supply Agreement are estimated with reference to a number of factors including:

- (i) *the historical transaction amount* – our historical sales were only made to CR Care, which was one of our top five customers during the Track Record Period and prior to the completion of [REDACTED] Investment A, an Independent Third Party. Based on the historical sales amount set out above, our sales made to CR Care had increased during FY2017 to FY2019 representing a CAGR of approximately 39.1%;
- (ii) *the strategic shareholding relationship between our Group and CR Pharma Group* – upon the completion of [REDACTED] Investment A, CR Pharmaceutical became our substantial Shareholder. According to the 2019 interim report of CR Pharmaceutical, CR Pharma Group is one of the three largest pharmaceutical distributors in the PRC, and comprises member companies of China Resources Company Limited, a PRC state-owned enterprise. Furthermore, CR Pharmaceutical operated over 840 retail pharmacies in the PRC. With foreseeable improvement in product offerings by our Group in the near future and coupled with the expected increasing demand from members of CR Pharma Group, in addition to CR Care’s retail network in Hong Kong, potential sales of the Contract Products through the network of CR Pharma Group is expected to further increase; and
- (iii) *our future development plan* – as mentioned in “Business – Business Strategies” in this document, we intend to explore the potential expansion of our Distribution Business to the PRC by supplying certain of our products to the PRC market on an offline basis. To this end, we have entered into an agreement with a wholly-owned subsidiary of CR Pharmaceutical regarding the establishment of a joint venture in the PRC to collectively explore business opportunities. Such joint venture, owned as to 70% by CR Pharma Group and 30% by our Group, is a non-wholly owned subsidiary of CR Pharmaceutical and is expected to, through itself or its subsidiary, obtain a food business permit and a pharmaceutical trade licence within FY2020. Such joint venture will, as a buyer of the Contract Products, leverage the network of CR Pharma Group to distribute, among others, the Contract Products in the PRC. According to the Ipsos Report, the increasing purchasing power of people in the PRC, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, together with the improving living standard and increasing health awareness, drove up the PRC’s healthcare expenditure per capita from approximately RMB2,326.8 in 2013 to RMB4,148.1 in 2018, rising at a CAGR of 12.3% during such period. The formation of the joint venture would, therefore, be seen as a springboard to the PRC market where our Group would benefit from an additional sales channel to the PRC market which has shown growth potential. Together with the expansion of the offline sales market in the PRC with the support of a vast sales network of CR Pharma Group and the joint venture between CR Pharma Group and our Group, a consistently strong yet growing demand for the Contract Products is to be expected as compared to our historical sales during FY2017 to FY2019, which represented a CAGR of

CONNECTED TRANSACTIONS

approximately 39.1%, and were made only to CR Care. In view of the growth potential of healthcare products in the PRC and the expected sales by our Group to the joint venture to be formed between our Group and CR Pharma Group, our sales to CR Pharma Group are expected to further increase for FY2020 to FY2021.

Taking into account the factors stated above, and based on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market and social conditions, operation and business environment or government policies which may materially affect the businesses of our Group and those of CR Pharma Group, and the joint venture to be duly established between our Group and CR Pharma Group will, through itself or its subsidiary, obtain the necessary licences/permits for its business operations in FY2020, our Directors consider that the proposed annual caps for FY2020 and FY2021, as compared with the historical sales made to CR Care for retail in Hong Kong, are fair and reasonable.

(2) NC Products Distribution Agreements

a. NC Products Distribution Agreement (JD & HK)

Date

7 January 2020

Parties

Supplier : Hong Kong CR Sanjiu, a non-wholly owned subsidiary of CR Pharmaceutical

Distributors : Billion Crown, an indirect wholly-owned subsidiary of our Company; and
Tycoon Hong Kong, an indirect wholly-owned subsidiary of our Company

b. NC Products Distribution Agreement (Tmall)

Date

7 January 2020

Parties

Supplier : Hong Kong CR Sanjiu, a non-wholly owned subsidiary of CR Pharmaceutical

Distributor : Titita, an indirect wholly-owned subsidiary of our Company

CONNECTED TRANSACTIONS

Nature of transaction

Shenzhen CR Sanjiu has entered into a principal distribution agreement ("**Principal NC Agreement**") regarding the distribution of certain Nature's Care Pro series of products under the brand name of Nature's Care ("**NC Products**") with Nature's Care Manufacture Pty. Ltd. ("**NC Manufacturer**").

Pursuant to an authorisation letter ("**Authorisation Letter**") issued by Shenzhen CR Sanjiu to Hong Kong CR Sanjiu, Shenzhen CR Sanjiu has authorised Hong Kong CR Sanjiu to be its distributor of the NC Products on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and through Nature's Care Overseas Flagship Store* (Nature's Care 海外旗艦店) on the e-commerce portal at Tmall.hk (天貓國際) ("**NC Tmall Flagship Store**") and in the territory of Hong Kong. Hong Kong CR Sanjiu is permitted to appoint other party or parties as its authorised distributor(s) for the NC Products at the above specified channels and territory.

Subject to the Principal NC Agreement and pursuant to the Authorisation Letter:

- (i) the NC Products Distribution Agreement (JD & HK) was entered into between Hong Kong CR Sanjiu, Billion Crown and Tycoon Hong Kong, pursuant to which, Billion Crown was appointed as the authorised distributor of the NC Products on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and Tycoon Hong Kong was appointed as the authorised distributor of the NC Products in the territory of Hong Kong; and
- (ii) the NC Products Distribution Agreement (Tmall) was entered into between Hong Kong CR Sanjiu and Titita, pursuant to which, Titita was appointed as the authorised distributor of the NC Products on, and operator for, the NC Tmall Flagship Store. An ancillary agreement to the NC Products Distribution Agreement (Tmall) regarding the operation of the NC Tmall Flagship Store is expected to be entered into between NC Manufacturer, Hong Kong CR Sanjiu and Titita.

Hong Kong CR Sanjiu has agreed not to appoint any other distributor to distribute the NC Products in Hong Kong, on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and through the NC Tmall Flagship Store.

Duration and termination

The NC Products Distribution Agreement (JD & HK) is for a term commencing retrospectively on 1 September 2019 and ending on 31 December 2021 while the NC Products Distribution Agreement (Tmall) is for a term commencing retrospectively on 10 December 2019 and ending on 31 December 2021.

During the term of each of the NC Products Distribution Agreements, any party to the relevant agreement has a right of termination by giving not less than one month's notice in writing to the other party. Each party is also entitled to terminate upon serving a 10 days' prior written notice to the other party if the other party (i) has breached the agreement and failed to remedy such breach after 30 days of notice; or (ii) is in bankruptcy or has commenced winding up proceeding and such proceeding has not been withdrawn within 30 days; or (iii) has ceased business operation for more than 30 days; or (iv) is unable to continue to perform its obligations under the agreement by reason of force majeure.

CONNECTED TRANSACTIONS

In case of termination of the Principal NC Agreement, both of the NC Products Distribution Agreements will be terminated forthwith. Hong Kong CR Sanjiu shall notify Billion Crown, Tycoon Hong Kong and Titita as soon as they are aware of the termination.

Pricing and payment terms

Pursuant to each of the NC Products Distribution Agreements, the prices, payment terms, quantities and detailed terms with respect to the NC Products shall be determined in accordance with the specific purchase orders ("**Purchase Orders**") to be agreed between Hong Kong CR Sanjiu and each of Billion Crown, Tycoon Hong Kong and Titita respectively and shall be on normal commercial terms negotiated on an arm's length basis by the respective parties with reference to the prevailing selling prices of the NC Products.

Payment in respect of delivered NC Products shall be made by (i) Billion Crown to Hong Kong CR Sanjiu upon receipt of the corresponding invoice for a Purchase Order issued by Hong Kong CR Sanjiu; and (ii) Tycoon Hong Kong and Titita to Hong Kong CR Sanjiu on credit terms of 30 days from the date of the bill of lading for the relevant shipment.

In determining the actual transaction prices and terms of the NC Products in respect of each Purchase Order, Hong Kong CR Sanjiu will take into account the then prevailing purchase cost of the NC Products from the NC Manufacturer, the volume of such NC Products in the Purchase Order and (where applicable) the terms of supply under the Principal NC Agreement.

There is no minimum purchase amount. Sales bonus (if any) payable by Hong Kong CR Sanjiu to our Group will be determined with reference to our annual purchase amount at pre-agreed progressive rates. Such annual purchase amount and the progressive rates will be reviewed and (where applicable) adjusted annually.

Delivery

All NC Products will be delivered to the designated port in Sydney, Australia and picked up by our Group. We shall be responsible for the costs of ocean freight, insurance, customs clearance, unloading, and transportation from the arrival port to the final destination.

Marketing and promotion

Our Group and Hong Kong CR Sanjiu shall be collectively responsible for marketing and promotion of the NC Products under the NC Products Distribution Agreements and shall proactively coordinate the promotion and marketing activities so as to promote the brand name of Nature's Care and its publicity.

Reasons for entering into the transactions contemplated under the NC Products Distribution Agreements

We are a provider of a number of PCM, health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong. On the other hand, Nature's Care is a manufacturer of health supplements and skin care products in Australia and the NC Products enjoy the renowned reputations

CONNECTED TRANSACTIONS

and are well known for their quality. Our Directors therefore consider that to enter into the NC Products Distribution Agreements and to obtain the distributorship of NC products for the above mentioned channels and territory is in the interest of our Shareholders and our Group as a whole and can further improve our product offerings and to maximise our market share in the health supplement and skin care sectors.

Historical figures and annual caps

Set out below is a summary of the historical purchases by our Group from Hong Kong CR Sanjiu during the Track Record Period and the proposed annual caps in respect of the transactions contemplated under the NC Products Distribution Agreements:

Historical purchases amount	Proposed annual caps		
	FY2019	FY2020	FY2021
	'000	'000	'000
A\$260	A\$7,500	A\$12,000	
(HK\$1,421)	(HK\$40,350)	(HK\$64,560)	
(Notes 1 and 2)	(Note 3)	(Note 3)	

Notes:

- (1) No transactions were conducted with Hong Kong CR Sanjiu prior to 1 September 2019, being the commencement date of the NC Products Distribution Agreement (JD & HK).
- (2) Settlements were made in A\$ and were converted to HK\$ based on the applicable exchange rate at the time of settlements.
- (3) For illustration purpose only, the applicable exchange rate used is A\$1.00 equals to HK\$5.38.

Basis of annual caps

The proposed annual caps in respect of the transactions contemplated under the NC Products Distribution Agreements are estimated with reference to the procurement and sales plans of our Group as well as the prevailing market price of relevant NC products and based on the principal assumptions that for the duration of the projected period, there will not be any adverse change or disruption in market and social conditions, operation and business environment or government policies which may materially affect the business of our Group and that of Hong Kong CR Sanjiu or Shenzhen CR Sanjiu.

Listing Rules implications and waiver

In view of the fact that CR Pharmaceutical is the holding company of [REDACTED] Investor A, which is expected to hold approximately [REDACTED]% of the issued share capital of our Company upon the [REDACTED] (assuming the [REDACTED] is not exercised) and is our substantial Shareholder, CR Pharmaceutical and its subsidiaries (including CR Care, one of our existing customers, and Hong Kong CR Sanjiu) will become our connected persons upon the [REDACTED] and the transactions contemplated under the Master Supply Agreement and the NC Products Distribution Agreements will therefore constitute continuing connected transactions of our Company upon the [REDACTED] under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

For each of the Master Supply Agreement and the NC Products Distribution Agreements, since the highest applicable percentage ratio relating to the proposed largest annual cap for the continuing connected transactions contemplated thereunder exceeds 5% and the proposed largest annual cap exceeds HK\$10 million, the continuing connected transactions under each of the Master Supply Agreement and the NC Products Distribution Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Master Supply Agreement and the NC Products Distribution Agreements are expected to continue on a recurring basis and are expected to extend over a period of time, our Directors consider that it would be unduly burdensome and would add unnecessary administrative costs to our Company for it to comply strictly with the announcement, circular and approval of independent shareholders requirements under Chapter 14A of the Listing Rules given each of the Master Supply Agreement and the NC Products Distribution Agreements was entered into prior to the [REDACTED] and their respective details are disclosed in this document, and potential investors of our Company will participate in the [REDACTED] on the basis of such disclosure.

Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, subject to the condition that the annual caps for the transactions contemplated under each of the Master Supply Agreement and the NC Products Distribution Agreements for FY2020 and FY2021 as stated above will not be exceeded.

If any of the material terms of the Master Supply Agreement or any of the NC Products Distribution Agreements are altered or if our Group enters into any new agreements or arrangements with any connected person(s) in the future under which the aggregate consideration received or receivable, or paid or payable (as the case may be) by our Group in any of the agreements in each of the two years ending 31 December 2021 exceeds the proposed annual caps set out above, our Group will comply with the applicable requirements under Chapter 14A of the Listing Rules.

Confirmation from our Directors

Our Directors (including our non-executive Directors and independent non-executive Directors) confirm that (i) the Master Supply Agreement and the NC Products Distribution Agreements and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable to our Group and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps under the Master Supply Agreement and the NC Products Distribution Agreements for FY2020 and FY2021 disclosed above are arrived at after due and careful consideration and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that (i) the Master Supply Agreement and the NC Products Distribution Agreements and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable to our Group and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps under the Master Supply Agreement and the NC Products Distribution Agreements set out above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.