
CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing Date, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Following completion of the Listing, there will be four continuing connected transactions of our Company under the Listing Rules. Details of these transactions as well as the waiver granted by the Stock Exchange from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out below.

Wellmass is one of our Controlling Shareholders and China Aluminum Cans is a company controlled by Wellmass, therefore Wellmass, China Aluminum Cans and their respective subsidiaries and close associates (other than our Group) are connected persons of our Company. Accordingly, the transactions we have entered into or will enter into with the Remaining China Aluminum Cans Group will constitute connected transactions for our Group.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) HK Tenancy Agreement

On 27 May 2019, a tenancy agreement (the “**HK Tenancy Agreement**”) was entered into between Mr. Lin (as landlord), our Company (for itself and on behalf of its subsidiaries) and Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies), a wholly-owned subsidiary of China Aluminum Cans (collectively, as tenants) in respect of the premises situated at Office Unit G, 20th Floor, Golden Sun Centre, Nos. 59/67 Bonham Strand West, Hong Kong (the “**HK Premises**”), with a gross floor area of approximately 40.41 sq.m. (the “**Gross Floor Area**”). Each of our Company and Hong Kong Aluminum Cans shall take approximately 20.205 sq.m. (representing approximately 50% of the Gross Floor Area). Since Mr. Lin is one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin and thus, a connected person of our Company, the entering into of the HK Tenancy Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The HK Premises is leased for the period commencing from the Listing Date and ending on 31 December 2021 (both days inclusive) at a monthly rental of HK\$10,875 (exclusive of rates, government rents, management fees and other utilities outgoings which are payable by the tenants), which shall be paid by our Company and Hong Kong Aluminum Cans in equal share. The monthly rental is payable in advance on the first day of each and every successive calendar month. Under the HK Tenancy Agreement, an aggregate deposit of HK\$21,750 is required to be paid by the tenants to the landlord in equal share. The tenants agree that the rental, rates, government rents, management fees and other utilities outgoings shall be apportioned with reference to the actual area occupied by each tenant.

The monthly rental was determined after arm’s length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity, which are in the range of HK\$24 per square feet and HK\$26 per square feet. Our Directors (including the independent non-executive Directors) confirm that the monthly rental under the HK Tenancy Agreement is consistent with the prevailing market rates of similar properties in the vicinity and is therefore fair and reasonable.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) rented from Mr. Lin in respect of the HK Premises. The historical rental paid by Hong Kong Aluminum Cans to Mr. Lin was HK\$96,000 for each of the three years ended 31 December 2018.

As the relevant applicable percentage ratios with respect to the transactions contemplated under the HK Tenancy Agreement on an annual basis are less than 5% and the annual consideration is less than HK\$3 million, the entering into of the HK Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) PRC Tenancy Agreement

On 27 May 2019, a tenancy agreement (the “**PRC Tenancy Agreement**”) was entered into between Guangzhou Shentian (as landlord) and Guangzhou Euro Asia (as tenant) in respect of a factory (the “**Factory**”) located at No.628 Jufeng North Road, Aotou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市從化區鰲頭鎮聚豐北路628號) with a gross floor area of approximately 1,500 sq.m. Since Guangzhou Euro Asia is owned as to 70% by China Medical Beauty and 30% by European Asia Industrial, which is wholly-owned by Mr. Lin (one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin) and thus Guangzhou Euro Asia is a connected subsidiary of our Group, the entering into of the PRC Tenancy Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The Factory is leased for the period commencing from the Listing Date and ending on 31 December 2021 (both days inclusive) at a monthly rental of RMB18,000 (exclusive of other utilities outgoings which are payable by the tenants).

The monthly rental is payable in advance on the first day of each and every successive calendar month. Under the PRC Tenancy Agreement, an aggregate deposit of RMB72,000 is required to be paid by the tenant to the landlord.

The monthly rental was determined after arm's length negotiations between the parties by making reference to the prevailing market rates of similar properties in the vicinity. Our Directors (including the independent non-executive Directors) confirm that the monthly rental under the PRC Tenancy Agreement is consistent with the prevailing market rates of similar properties in the vicinity and is therefore fair and reasonable.

During the Track Record Period, Guangzhou Euro Asia rented from Guangzhou Shentian in respect of the Factory. Guangzhou Shentian has commenced to charge Guangzhou Euro Asia rental since 2017. For the three years ended 31 December 2018, the historical rental paid by Guangzhou Euro Asia to Guangzhou Shentian amounted to nil, HK\$224,000 and HK\$232,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

As the relevant applicable percentage ratios with respect to the transactions contemplated under the PRC Tenancy Agreement on an annual basis are less than 5% and the annual consideration is less than HK\$3 million, the entering into of the PRC Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under Rule 14A.76(1) of the Listing Rules, and is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) Trademark Licence Agreement

On 27 May 2019, Guangzhou Botny (for itself and on behalf of its subsidiaries and holding companies) (as licensee) and China Motor Management Services Limited (“**China Motor**”) (as licensor), a company indirectly wholly-owned by Mr. Lin, entered into a trademark licence agreement (the “**Trademark Licence Agreement**”), pursuant to which China Motor agreed to grant to Guangzhou Botny a non-exclusive licence to use certain trademarks (the “**Licensed Trademarks**”) owned by China Motor in relation to our FOX-D (狐狸) and WIN (勝彩) brands in the PRC for a term of three years commencing from the Listing Date on a royalty-free basis.

Our Group has been using the Licensed Trademarks in connection with our business conducted over the years. As such, in order to maintain the consistency of our market image, we will continue to use the Licensed Trademarks after Listing. On 3 October 2014, our Group entered into a trademark licence agreement with China Motor, pursuant to which China Motor agreed to grant to Guangzhou Botny an exclusive license to use the Licensed Trademarks for the period from 20 May 2015 to 31 December 2016. No trademark licence agreement was entered into between our Group and China Motor after 2016. For the three years ended 31 December 2018, the historical royalty fee paid by our Group to China Motor amounted to HK\$339,000, nil and nil, respectively. As waived by China Motor, no royalty fee was paid by our Group to China Motor for the year ended 31 December 2015. The royalty fee was determined after arm's length negotiations between Guangzhou Botny and China Motor after taking into account the brand awareness and profitability of the Licensed Trademarks.

As China Motor is indirectly wholly-owned by Mr. Lin, who is one of our Controlling Shareholders, the spouse of Mrs. Lin and the father of Ms. Flora Lin and Mr. Alex Lin and thus, a connected person of our Company, the entering into of the Trademark Licence Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

As there is no royalty fee payable by us in respect of the Trademark Licence Agreement, the transactions contemplated thereunder constitute *de minimis* continuing connected transactions which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Master Supply Agreement

During the Track Record Period, our Group sourced and purchased certain monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group. For the three years ended 31 December 2018, our Group's purchases of monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group amounted to approximately HK\$15.3 million, HK\$19.4 million and HK\$27.2 million, respectively. The increase in our Group's purchase amount was in general in line with the growth in sales of our personal care products during the Track Record Period.

On 17 April 2019, Hong Kong Aluminum Cans (for itself and on behalf of its subsidiaries and holding companies) and our Company (for itself and on behalf of its subsidiaries) entered into the Master Supply Agreement (as amended and supplemented by a supplemental agreement dated 7 May 2019) pursuant to which our Group agreed to purchase from the Remaining China Aluminum Cans Group certain monobloc aluminum aerosol cans. The parties agreed to enter into separate purchase orders in respect of each purchase of monobloc aluminum aerosol cans to specify the details of each purchase including but not limited to the types and/or specifications of the products, purchase prices, payment terms, quantity, date and mode of delivery and other relevant terms in relation to that purchase. The terms of the relevant purchase orders shall be consistent with the terms under the Master Supply Agreement and shall be consistent with the principles of the Master Supply Agreement.

The Master Supply Agreement is conditional upon (i) the commencement of dealings in our Shares on the Stock Exchange; and (ii) the approval from the independent shareholders of China Aluminum Cans having been obtained in accordance with the Listing Rules in respect of the Master Supply Agreement and the transactions contemplated thereunder (where relevant).

The terms of the Master Supply Agreement shall commence from the date immediately after the fulfilment of the aforesaid conditions (the "**Commencement Date**") until 31 December 2021 (both days inclusive) provided that either party has a right to terminate the agreement by giving the other party a 30-day prior written notice.

The purchase price of each and every purchase shall be separately determined on order-by-order basis by the parties in accordance with the following principles: (i) the purchase price shall be agreed at arm's length basis on normal commercial terms and shall be fair and reasonable; (ii) the purchase price (before taking into account the standardised adjustments to be adopted by the Remaining China Aluminum Cans Group based on order quantities, product specifications and delivery plans (the "**Standardised Adjustments**")) to be paid by our Group to the Remaining China Aluminum Cans Group shall be the same as the purchase prices to be paid by other independent customers to the Remaining China Aluminum Cans Group; and (iii) the purchase price shall be at the prevailing market price.

CONTINUING CONNECTED TRANSACTIONS

In order to ensure our future purchase prices are fair and reasonable, our Group will solicit at least one other independent company's quotation in relation to its purchase of the same type of monobloc aluminum aerosol cans of comparable nature provided by the Remaining China Aluminum Cans Group where necessary so as to know the prevailing market rate. Where no such quotation is available, our Group will request the Remaining China Aluminum Cans Group to provide us with its quotation provided to its other independent customers in relation to the same type of monobloc aluminum aerosol cans. The monobloc aluminum aerosol cans, upon completion of the content filling, shall be sold with reference to the cost-plus basis with mark-up margin. Our Board shall also review the pricing policy and the reasonableness and fairness of our purchase prices on regular basis. Our Directors (including the independent non-executive Directors) consider that the above procedures are adequate and can ensure that the transactions under the Master Supply Agreement shall be conducted on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders as a whole after Listing.

It is expected that the annual caps of the Master Supply Agreement (the "Annual Caps") during the period from the Commencement Date to 31 December 2019 and for the two years ending 31 December 2021 are HK\$25.1 million, HK\$39.2 million and HK\$47.0 million respectively, which are estimated with reference to a CAGR of approximately 20.0% in the transaction amounts from the year ended 31 December 2018 to the year ending 31 December 2021 after taking into account, among other things, our Group's historical purchase amounts of monobloc aluminum aerosol cans and our Group's anticipated demand for the products over the next three years, which is lower than the actual CAGR of approximately 33.3% from the year ended 31 December 2016 to the year ended 31 December 2018 (for the avoidance of doubt, our Company has not taken into account the historical transaction amount for the period from January 2019 to March 2019 in determining the proposed annual caps). The annual cap for the period from the Commencement Date to 31 December 2019 has been apportioned by eight months with reference to our Group's historical purchase of the monobloc aluminum aerosol cans from the Remaining China Aluminum Cans Group for the period from 1 May 2018 to 31 December 2018 which amounted to approximately HK\$20.9 million. The purpose of the apportionment was to replicate the seasonality of product purchase for the period from 1 May 2018 to 31 December 2018 to the period from the Commencement Date to 31 December 2019.

Since Hong Kong Aluminum Cans is wholly-owned by China Aluminum Cans, Hong Kong Aluminum Cans is a connected person of our Company and thus, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. The applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Master Supply Agreement, on an annual basis, exceed 5% and HK\$10 million. Therefore, the transactions contemplated under the Master Supply Agreement shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Application

Given the recurring nature, our Directors consider that compliance with the announcement and independent shareholders' approval requirements pursuant to the Master Supply Agreement would be unduly burdensome, impractical and would add significant unnecessary administrative costs to our

CONTINUING CONNECTED TRANSACTIONS

Company. We, pursuant to Rule 14A.105 of the Listing Rules, have applied for, and the Stock Exchange has granted to our Company, a waiver with respect to the continuing connected transactions contemplated under the Master Supply Agreement from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective Annual Caps.

Apart from the requirements with which strict compliance has been waived by the Stock Exchange as described above, we will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Master Supply Agreement.

The independent non-executive Directors will review the continuing connected transactions under the Master Supply Agreement and confirm in the annual reports of our Company that such transactions for the financial year under review have been entered into in the manner as set out in Rule 14A.55 of the Listing Rules.

Directors' view

Our Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions under the Master Supply Agreement have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, are fair and reasonable, and are in the interests of our Group and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are also of the view that the proposed Annual Caps are fair and reasonable, and in the interests of our Group and our Shareholders as a whole.

Sole Sponsor's view

Based on the information provided by us and participation in the due diligence and discussion with us, including but not limited to (i) the review of the Master Supply Agreement; and (ii) the review of the documentation provided by us with respect to our continuing connected transactions under the Master Supply Agreement, such as the quotations from independent third party suppliers for comparable goods and the quotations provided by the Remaining China Aluminum Cans Group to independent third party customers, the Sole Sponsor believes that the aforesaid non-exempt continuing connected transactions under the Master Supply Agreement have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed Annual Caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.