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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)

**CONNECTED TRANSACTION
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
SHANGHAI NATURAL BEAUTY BIO-MED CO. LTD.**

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders**



Grand Vinco Capital Limited

(Wholly owned subsidiary of Vinco Financial Group Limited)

On 20 August 2008, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed conditionally to acquire and the Vendor has agreed conditionally to dispose the Sale Interest in Bio-Med at a consideration of USD3,313,966 (equivalent to approximately HK\$25,848,936).

The Vendor is an associate of connected persons of the Company on the basis that (i) it is beneficially owned as to 20% by Dr. Tsai Yen Yu, 40% by Dr. Su Chien Cheng and 40% by Dr. Su Sh-Hsyu, who are the Directors and the substantial shareholders of the Company by holding 41.91%, 11.83% and 11.83% interest in the entire issued share capital of the Company respectively; and (ii) its directors, namely Dr. Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu, are also the Directors of the Company. Hence, the Acquisition under the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing rules. Given that one or more of the applicable percentage ratios for the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened to consider and, if thought fit, to approve the terms of the Sale and Purchase Agreement and the Acquisition. The vote of the Independent Shareholders at the SGM on the relevant ordinary resolutions shall be taken by poll.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Sale and Purchase Agreement and Vinco Capital has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement.

DESPATCH OF CIRCULAR

A circular containing, inter alios, details of the terms of the Sale and Purchase Agreement, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation from the Independent Board Committee to the Independent Shareholders, the financial information in respect of Bio-Med and the notice convening the SGM and other information as required under the Listing Rules will be dispatched to the Shareholders as soon as practicable.

On 20 August 2008, the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchase has agreed conditionally to acquire and the Vendor has agreed conditionally to dispose the Sale Interest at a consideration of USD3,313,966 (equivalent to approximately HK\$25,848,936).

The Sale and Purchase Agreement

Date: 20 August 2008

Parties:

Purchaser: Natural Beauty China, an indirect wholly-owned subsidiary of the Company.

Vendor: Uni Way, a company beneficially owned as to 20% by Dr. Tsai Yen Yu, 40% by Dr. Su Chien Cheng and 40% by Dr. Su Sh-Hsyu, who are the Directors and the substantial shareholders of the Company by holding 41.91%, 11.83 % and 11.83% interest in the entire issued share capital of the Company respectively. The directors of Uni Way, namely Dr Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu, are also the Directors of the Company. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are connected persons of the Company.

Sale Interest:

The entire equity interest in Bio-Med, free from any encumbrance but with all rights new and hereafter attaching thereto including the rights to all dividends, interest and allotment paid, made or declared in respect thereof.

Consideration

The Consideration for the Sale Interest is USD3,313,966 (equivalent to approximately HK\$25,848,936). The Consideration was arrived at after arm's length negotiations between the Purchase and the Vendor, at one (1.0) times of the audited net asset value of Bio-Med of RMB 22,659,177 (equivalent to approximately HK\$25,848,936) at 31 July 2008.

Among the Consideration, 50% of which, being a refundable deposit, shall be settled by telegraphic transfer by the Purchaser to the Vendor within 1 month upon the signing of the Sale and Purchase Agreement. The remaining 50% of the Consideration shall be settled by telegraphic transfer by the Purchaser to the Vendor upon Completion. The payment of the Consideration will be funded by the internal resources of the Group.

Conditions

Completion of the sale and purchase of the Sale Interest is conditional upon fulfillment (or waiver, in certain cases as stated below) of the following conditions on or before 31 March 2009:

- (i) all necessary authorization, consent and approval from or by any governmental authorities or regulatory bodies for the consummation of the transactions contemplated in the Sale and Purchase Agreement having been obtained by the Vendor and remaining in full force and effect as at Completion;
- (ii) the approval of Independent Shareholders at the SGM having been obtained in accordance with the Listing Rules;
- (iii) there being no applicable laws, regulations, orders, decrees or notifications which has been implemented or enforced by any authorities to the effect that the transfer of the Sale Interest or the consummation of the transactions contemplated in the Sale and Purchase Agreement will be prohibited, restricted or seriously delayed;
- (iv) the registration of the transfer of the Sale Interest having been completed;
- (v) a PRC legal opinion with respect to the Sale and Purchase Agreement in such form and substance to the satisfaction of the Purchaser having been provided by the Vendor;
- (vi) the financial and legal due diligence exercise with respect to the Sale Interest having been completed to the satisfaction of the Purchaser;
- (vii) the representations and warranties under the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if given at all times between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive);
- (viii) all obligations, undertakings and covenants required to be performed and observed by the Vendor under the Sale and Purchase Agreement on or prior to the Completion having been duly observed and performed;
- (ix) there being no investigation, legal actions, claims, injunctions orders or proceedings in effect, threatened or is reasonably expected to operate to prohibit, restrict or imposed conditions or limitation on the consummation of any of the transactions contemplated in the Sale and Purchase Agreement or the Completion; and
- (x) there being is no material adverse change in the financial, business, trading and operations position of Bio-Med between the date of the Sale and Purchase Agreement and the date of Completion (both dates inclusive).

The Purchaser has the right to waive all of above conditions in full or in part except for the conditions numbered (i) to (vi). In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 March 2009 or such later date as the Purchaser and the Vendor may agree in writing, the Sale and Purchase Agreement shall cease and terminate, and no party shall have any obligation to complete the transaction contemplated therein. In addition, no party shall have any claims against the other party under the Sale and Purchase Agreement, except for any antecedent breaches of committed prior to the termination of the Sale and Purchase Agreement or

any breach of confidentiality obligations contemplated in the Sale and Purchase Agreement.

Completion

The Completion will take place on the 5th Business Day after the day on which all conditions are fulfilled (or otherwise waived) or such other date as the Purchase and Vendor may agree in writing.

Information about Bio-Med

Bio-Med is a foreign wholly owned company established under the laws of the PRC by Uni Way on 14 October 2001. It is principally engaged in research, development and manufacture of health supplements. The registered capital of Bio-Med is USD 2.6 million, which has already been fully contributed by Uni Way as at the date of this announcement. Bio-Med does not have any wholly-owned or non-wholly owned subsidiary.

Bio-Med's audited accounts for each of the two years ended 31 December 2006 and 31 December 2007 and the seven months ended 31 July 2008 prepared in accordance with the PRC Generally Accepted Accounting Principles are as follows :-

	Year ended 31 December 2006	Year ended 31 December 2007	Seven months ended 31 July 2008
Net Profit before taxation and extraordinary items	RMB823,037	RMB2,226,938	RMB808,733
Net Profit after taxation and extraordinary items	RMB600,817	RMB1,840,746	RMB974,400
Net asset value	RMB21,311,303	RMB23,152,050	RMB22,659,177

As the current PRC Accounting Standards ("PRC GAAP") are principally in line with the International Accounting Standards ("IAS") and the Hong Kong Accounting Standards ("HKAS") are principally in line with the IAS, there will be no material changes in the income statement and balance sheet of Bio-Med for the financial periods as set out in the table above, if HKAS and Hong Kong Financial Reporting Standards were applied. The surge of net profit of Bio-Med for the year ended 31 December 2007 as compared to that for the same period in 2006 was resulted from the increase of orders placed by the Group under the natural health food purchase agreement dated 28 July 2005, the details of the natural health food purchase agreement are set out in the announcement issued by the Company on 2 August 2005. The audited net asset value of Bio-Med as at 31 July 2008 was approximately RMB 22,659,177 (equivalent to approximately HK\$25,848,936). According to the audited report of Bio-Med for the seven months ended 31 July 2008, about 87% of the total asset of Bio-Med is cash and Bio-Med has a total liabilities of RMB 214,147 (equivalent to approximately HK\$244,292), all of which are accounts payables.

Information of the Purchaser

The Purchase is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong. It is an investment holding company.

Information of the Vendor

The Vendor is a company established under the laws of British Virgin Islands with limited liability. Its principal business is investment holding.

Information of the Company

The Company is listed on the main board of the Stock Exchange and the business of the Group is principally engaged in the manufacture and distribution of beauty and spa products and operate a spa franchise network in the Greater China region.

Reasons for and benefits of the Acquisitions

Bio-Med is principally engaged in research, development and manufacture of health supplements. It currently supplies natural health food to the Group under a renewed natural health food agreement dated 16 January 2008, the details of which are set out in the announcement issued by the Company on the same day. The Directors (including the independent non-executive Directors but excluding Dr. Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu) consider that the Acquisition will enable the Group to enjoy a higher profit margin via having direct supply of the natural health food from its Group member instead of from a third party and the Acquisition will also strengthen the Group's position in expanding the health supplements business and improve its overall competitive edge.

The Directors (including the independent non-executive Directors but excluding Dr. Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu) are of the opinion that the Acquisition is entered into on normal commercial terms, and is fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

Financial Effect of the Acquisition

It is expected that the Considerations will be funded by the internal resources of the Group. After Completion, Bio-Med will be accounted for as a subsidiary of the Company.

Listing Rules Implications

The Vendor is an associate of connected persons of the Company on the basis that (i) it is beneficially owned as to 20% by Dr. Tsai Yen Yu, 40% by Dr. Su Chien Cheng and 40% by Dr. Su Sh-Hsyu, who are the Directors and the substantial shareholders of the Company by holding 41.91%, 11.83% and 11.83% interest in the entire issued share capital of the Company respectively; and (ii) its directors, namely Dr. Tsai Yen Yu, Lee Mr. Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu, are also the Directors of the Company. Hence, the Acquisition under the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing rules.

Given that one or more of the applicable percentage ratios for the Acquisition exceed 2.5% and the consideration for the Acquisition is more than HK\$10,000,000, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors but excluding Dr. Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu) consider that the Acquisition is entered into on normal commercial terms, and is fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

SGM

The SGM will be convened to consider and, if thought fit, to approve the terms of the Sale and Purchase Agreement. The vote of the Independent Shareholders at the SGM on the relevant ordinary resolutions shall be taken by poll. As at the date of this announcement, Dr. Tsai Yen Yu is interested in 838,530,000 shares, representing approximately 41.91% of the issued share capital of the Company, Dr. Su Chien Cheng is interested in 236,580,000 shares, representing approximately 11.83% of the issued share capital of the Company and Dr. Su Sh-Hsyu is interested in 236,580,000 shares, representing approximately 11.83% of the issued share capital of the Company. Hence, each of Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu and their respective associates is required to abstain from voting in respect of their shareholding at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Sale and Purchase Agreement and Vinco Capital has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement.

DESPATCH OF CIRCULAR

A circular containing, inter alios, details of the terms of the Sale and Purchase Agreement, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation from the Independent Board Committee to the Independent Shareholders, the financial information in respect of Bio-Med and the notice convening the SGM and other information as required under the Listing Rules will be dispatched to the Shareholders as soon as practicable.

Definitions

Unless the contexts otherwise require, the following terms shall have the following meanings as used in this announcement:

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Bio-Med”	上海自然美生物醫學有限公司 (Shanghai Natural Beauty Bio-Med Co. Ltd.), a wholly foreign-owned company established under the laws of the PRC and a wholly-owned subsidiary of the Vendor prior Completion
“Board”	the board of Directors of the Company
“Business Day(s)”	a day other than a Saturday and Sunday and public holidays in Hong Kong
“Company”	Natural Beauty Bio-Technology Limited (自然美生物科技有限公司), a company incorporated in Cayman Islands with limited liability whose shares are listed and traded on the Stock Exchange (Stock Code : 00157)
“Completion”	completion of the Acquisition

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	USD3,313,966 (equivalent to approximately HK\$25,848,936), being the consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Regions of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Beauty China” or “Purchaser”	Natural Beauty China Holding Limited (自然美中國控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	the committee of independent non-executive Directors comprising Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching
“Independent Shareholders”	the Shareholders other than Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh-Hsyu
“PRC”	the People’s Republic of China
“RMB”	Renminbi, being the lawful currency of the PRC
“Sale Interest”	the entire equity interest in Bio-Med, free from any encumbrance but with all rights new and hereafter attaching thereto including the rights to all dividends, interest and allotment paid, made or declared in respect thereof
“Shareholder(s)”	the shareholder(s) of the Company
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Uni Way” or “Vendor”	Uni Way Associates Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is beneficially owed as to 20% by Dr. Tsai Yen Yu, 40% by Dr. Su Chien Cheng and 40% by Dr. Su Sh-Hsyu
“USD”	the lawful currency of United States
“Vinc Capital”	Grand Vinc Capital Limited, wholly owned subsidiary of Vinc Financial Group Limited, a licensed corporation to carry

on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, an independent financial Adviser to the Independent Board Committee and the Independent Shareholders

Unless otherwise stated, for illustration purpose, the exchange rate used in this announcement is USD1.00 to HK\$7.80 and HK\$1.00 to RMB0.8766.

By order of the Board
Natural Beauty Bio-Technology Limited
Dr. Tsai Yen Yu
Chairman

Hong Kong, 20 August 2008

As at the date of this announcement, Executive Directors of the Company are Dr. Tsai Yen Yu, Mr. Lee Ming Ta, Dr. Su Chien Cheng and Dr. Su Sh Hsyu. The Independent Non-executive Directors of the Company are Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching.