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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)

CONTINUING CONNECTED TRANSACTIONS

TENANCY AGREEMENTS

The Board announces that on 3 November 2008, (a) the Taipei Tenancy Agreement was entered into between Taiwan NB, an indirect wholly-owned subsidiary of the Company, as tenant and Dr. Tsai Yen Yu as landlord; (b) the Pa-Der Tenancy Agreement was entered into between Taiwan NB as tenant and Dr. Su Chien Cheng as landlord; (c) the Beijing Tenancy Agreement 1 was entered into between Beijing NB, an indirect wholly-owned subsidiary of the Company, as tenant and Beijing ZAY as landlord; and (d) Beijing Tenancy Agreement 2 was entered into between NB Sanlian, an indirect wholly-owned subsidiary of the Company, as tenant and Beijing ZAY as landlord.

The Taipei Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 constitute continuing connected transactions of the Company given that the respective landlords are connected persons of the Company. Dr. Tsai Yen Yu, the landlord of the Taipei Tenancy Agreement, is an executive director of the Company and the controlling shareholder holding 41.91% interest in the entire issued share capital of the Company. Dr. Su Chien Cheng, the landlord of the Pa-Der Tenancy Agreement, is an executive director of the Company and a substantial shareholder holding 11.8% of the entire issued share capital of the Company. Beijing ZAY, the landlord of the Beijing Tenancy Agreement 1 and Beijing Tenancy Agreement 2, is a wholly foreign owned enterprise with limited liability established in the PRC which is ultimately beneficially owned by Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu is an executive director of the Company and a substantial shareholder holding 11.83% of the entire issued share capital of the Company.

Since the relevant percentage ratios for the Taipei Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 calculated on an annual basis by reference to the aggregate sum of rentals payable by the Group is greater than 0.1% but less than 2.5% and the maximum aggregate annual rentals payable by the Group amounts to approximately HK\$10,379,806, in accordance with Rule 14A.34 of the Listing Rules, these tenancy agreements are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and are exempted from the independent shareholders' approval requirements.

INTRODUCTION

The Board of the Company announces that on 3 November 2008, (a) the Taipei Tenancy Agreement was entered into between Taiwan NB, an indirect wholly-owned subsidiary of the Company, as tenant and Dr. Tsai Yen Yu as landlord; (b) the Pa-Der Tenancy Agreement was entered into between Taiwan NB as tenant and Dr. Su Chien Cheng as landlord; (c) the Beijing Tenancy Agreement 1 was entered into between Beijing NB, an indirect wholly-owned subsidiary of the Company, as tenant and Beijing ZAY as landlord; and (d) Beijing Tenancy Agreement 2 was entered into between NB Sanlian, an indirect wholly-owned subsidiary of the Company, as tenant and Beijing ZAY as landlord. The details of which are set out below:

THE PRINCIPAL TERMS OF THE TENANCY AGREEMENTS

(a) The Taipei Tenancy Agreement:

Date	:	3 November 2008
Landlord	:	Dr. Tsai Yen Yu
Tenant	:	Taiwan NB, an indirect wholly owned subsidiary of the Company
Premises	:	No. 8 and 2/F, 2/F-1, 3/F & 4/F of No. 9 Jhuangjing Street, Sinyi District, Taipei, Taiwan
Term	:	Two years commencing from 1 November 2008 and expiring on 31 October 2010, both dates inclusive
Rental	:	TWD2,250,000 (equivalent to approximately HK\$521,304) per calendar month inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.
Deposit	:	Nil

(b) The Pa-Der Tenancy Agreement:

Date : 3 November 2008

Landlord : Dr. Su Chien Cheng

Tenant : Taiwan NB, an indirect wholly owned subsidiary of the Company

Premises : 7/F, No. 439, Section 2, Pa-Der Road, Taipei, Taiwan

Term : Two years commencing from 1 January 2009 and expiring on 31 December 2010, both dates inclusive

Rental : TWD70,000 (equivalent to approximately HK\$16,218) per calendar month inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.

Deposit : Nil

There is an existing Pa-Der Tenancy Agreement signed on 25 December 2006 for a period of two years commencing from 1 January 2007 and expiring on 31 December 2008 with the same parties and terms.

(c) The Beijing Tenancy Agreement 1:

Date : 3 November 2008

Landlord : Beijing ZAY

Tenant : Beijing NB, an indirect wholly owned subsidiary of the Company

Premises : 1/F, 3/F & 4/F, No. 68, South Third Ring Road Central, Feng Tai District, Beijing (北京豐台區南三環中路68號自然美大樓一、三及四樓)

Term : Two years commencing from 1 December 2008 and expiring on 30 November 2010, both dates inclusive

Rental : RMB230,000 (equivalent to approximately HK\$259,711) per calendar month inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.

Deposit : Nil

(d) The Beijing Tenancy Agreement 2:

Date	:	3 November 2008
Landlord	:	Beijing ZAY
Tenant	:	NB Sanlian, an indirect wholly owned subsidiary of the Company
Premises	:	LG/F of No. 68, South Third Ring Road Central, Feng Tai District, Beijing (北京豐台區南三環中路68號自然美大樓地下一層)
Term	:	Two years commencing from 1 December 2008 and expiring on 30 November 2010, both dates inclusive
Rental	:	RMB60,000 (equivalent to approximately HK\$67,751) per calendar month inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.
Deposit	:	Nil

THE IMPLICATIONS UNDER THE LISTING RULES

The Taipei Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 constitute continuing connected transactions of the Company given that the respective landlords are connected persons of the Company. Dr. Tsai Yen Yu, the landlord of the Taipei Tenancy Agreement, is an executive director of the Company and the controlling shareholder holding 41.91% interest in the entire issued share capital of the Company. Dr. Su Chien Cheng, the landlord of the Pa-Der Tenancy Agreement, is an executive director of the Company and a substantial shareholder holding 11.8% of the entire issued share capital of the Company. Beijing ZAY, the landlord of the Beijing Tenancy Agreement 1 and Beijing Tenancy Agreement 2, is a wholly foreign owned enterprise with limited liability established in the PRC which is ultimately beneficially owned by Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu as to 20%, 40% and 40% respectively, and Dr. Su Sh Hsyu is an executive director of the Company and a substantial shareholder holding 11.83% of the entire issued share capital of the Company.

The Taipei Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 are newly signed tenancies and not renewed tenancies.

No announcement in respect of the existing Pa-Der Tenancy Agreement has ever been made as the amount of the annual rental payable by the Group amounts to approximately HK\$194,620 and the applicable percentage ratios in relation thereto falls within the threshold prescribed under the de minimis exemption set out in Rule 14A.33 of the Listing Rules.

Other than the existing Pa-Der Tenancy Agreement, the Group has not entered into any other continuing connected transactions that are still subsisting with the landlords of each of the above tenancy agreements and their associates within the previous 12 months from the execution date of the above tenancy agreements.

Since the Taipei Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 are entered into between the Group companies as tenants and the common group of landlords, these tenancies may be regarded as a series of transactions under Rules 14A.25 of the Listing Rules. Accordingly, the annual cap for the rentals payable by the Group under these tenancies shall be aggregated for the purpose of calculating the applicable percentage ratios under the Listing Rules. Based on the rents payable per month as set out in the Taipei Tenancy Agreement, the Pa-Der Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2, the breakdown of the annual cap payable by the Group thereunder are as follows:

	Year ending 31 December		
	2008 <i>HK\$</i>	2009 <i>HK\$</i>	2010 <i>HK\$</i>
Taipei Tenancy Agreement	1,042,608	6,255,647	5,213,040
Pa-Der Tenancy Agreement	–	194,620	194,620
Existing Pa-Der Tenancy Agreement	194,620	–	–
Beijing Tenancy Agreement 1	259,711	3,116,531	2,856,820
Beijing Tenancy Agreement 2	67,751	813,008	745,257
	<u>1,564,690</u>	<u>10,379,806</u>	<u>9,009,737</u>
Total:	<u>1,564,690</u>	<u>10,379,806</u>	<u>9,009,737</u>

Since the relevant percentage ratios for the Taipei Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 calculated on an annual basis by reference to the maximum aggregate annual rentals payable by the Group is greater than 0.1% but less than 2.5% and the maximum aggregate annual rentals payable by the Group amounts to approximately HK\$10,379,806, in accordance with Rule 14A.34 of the Listing Rules, these tenancy agreements are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and are exempted from the independent shareholders' approval requirements.

REASON FOR THE TRANSACTIONS

The premises in relation to the Taipei Tenancy Agreement is intended to be used as headquarter office, a training centre and a spa of the Group in Taipei, Taiwan, which provides a one-stop location for administration, training of franchisees and operation of a flagship store in Taiwan.

The terms of the Taipei Tenancy Agreement have been negotiated on arm's length basis between Taiwan NB as tenant and Dr. Tsai Yen Yu as landlord with reference to the prevailing monthly market rental value of the premises amounting to TWD 2,576,400 (equivalent to approximately HK\$596,927), as assessed by JUBON Assets Management Corporation, an real estate agency which is an Independent Third Party, based on the location of the premises, recent similar transaction history and the yield of return based on the market value of the premises. The premises has a total of gross floor area of approximately 2,677.84 sqm.

The premises in relation to the existing Pa-Der Tenancy Agreement has been used as a spa of the Group in Taipei, Taiwan. It will remain as a spa under the Pa-Der Tenancy Agreement.

The terms of the existing Pa-Der Tenancy Agreement and the Pa-Der Tenancy Agreement have been negotiated on arm's length basis between Taiwan NB as tenant and Dr. Su Chien Cheng as landlord with reference to the prevailing monthly market rental value of the premises amounting to TWD76,300 (equivalent to approximately HK\$17,677), as assessed by JUBON Assets Management Corporation, an real estate agency which is an Independent Third Party, based on the location of the premises and recent similar transaction history. The premises has a gross floor area of approximately 229.32 sqm. The rental per sqm amounting to approximately TWD305.25 (equivalent to approximately HK\$70.7) inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.

The premises in relation to the Beijing Tenancy Agreement 1 is intended to be used as regional office, a training centre and a spa of the Group in Beijing, the PRC, which provides a one-stop location for administration, training of franchisees and operation of a flagship store in Beijing.

The terms of the Beijing Tenancy Agreement 1 have been negotiated on arm's length basis between Beijing NB as tenant and Beijing ZAY as landlord with reference to the prevailing market rental value of the premises amounting to RMB233,251 (equivalent to approximately HK\$263,381) as assessed by Topland (Beijing) Project Management Planning Co. Ltd, an real estate agency based on the location of the premises and recent similar transaction history. The Premises has a gross floor area of approximately 2,578.90 sqm. The rental per sqm amounting to approximately RMB89.2 (equivalent to approximately HK\$100.7) inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.

The premises in relation to the Beijing Tenancy Agreement 2 is intended to be used as warehouse and logistics centre of the Group in Beijing, to serve franchisees operation in Northern China.

The terms of the Beijing Tenancy Agreement 2 have been negotiated on arm's length basis between NB Sanlian as tenant and Beijing ZAY as landlord with reference to the prevailing market rental value of the premises amounting to RMB60,000 (equivalent to approximately HK\$67,751) as assessed by Topland (Beijing) Project Management Planning Co. Ltd, an real estate agency based on the location of the premises and recent similar transaction history. The Premises has a gross floor area of approximately 1,084.97 sqm. The rental per sqm amounting to approximately RMB55.3 (equivalent to approximately HK\$62.4) inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings.

Topland (Beijing) Project Management Planning Co. Ltd was appointed by Beijing ZAY as the sole agent for the sale and lease of all the units of the building block where the subject properties of Beijing Tenancy Agreement 1 and Beijing Tenancy Agreement 2 are located. Meanwhile, Topland (Beijing) Project Management Planning Co. Ltd is a connected person to the Group given that Topland (Beijing) Project Management Planning Co. Ltd and the Company are the shareholders of Beijing Jiu Ding Xuan by holding 49% and 51% of the equity interest therein respectively. Beijing Jiu Ding Xuan has been remained dormant since its incorporation.

No service fee for valuing the premises of Beijing Tenancy Agreement 1 and Beijing Tenancy Agreement 2 was required to be paid by the Group companies as tenants. The independent non-executive directors of the Company also sought second opinion from Beijing Xin Cheng Xin Estate Agent Co Ltd, an independent real estate agent in Beijing to ascertain the fairness and reasonableness of the rents charged by Beijing ZAY. The independent non-executive directors concluded that the rents charged by Beijing ZAY are comparable to the market rental rate based on the location of the premises and recent similar transaction records.

The directors (excluding Dr. Tsai Yen Yu, Mr. Lee Ming Ta (husband of Dr. Tsai Yen Yu), Dr. Su Chien Cheng and Dr. Su Sh Hsyu, whom abstained from participating in the approval of the tenancy agreements due to conflict of interest), including the independent non-executive directors of the Company consider that the terms of the Taipei Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 were entered into in the usual and ordinary course of business of the Group. They also consider that the terms of the continuing connected transactions under the Taipei Tenancy Agreement, the existing Pa-Der Tenancy Agreement, the Pa-Der Tenancy Agreement, the Beijing Tenancy Agreement 1 and the Beijing Tenancy Agreement 2 were negotiated and conducted by the Group on an arm's length basis and on normal commercial terms, and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ABOUT BEIJING ZAY

Beijing ZAY is principally a property holding company established in the PRC with limited liability. Beijing ZAY is ultimately beneficially owned by Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu as to 20%, 40% and 40% respectively, all are executive directors and shareholders of the Company.

INFORMATION ABOUT THE COMPANY, TAIWAN NB, BEIJING NB AND NB SANLIAN

The Company

The Company is listed on the main board of the Stock Exchange and the principal business of the Group is to manufacture and distribute beauty and spa products, and to operate a spa franchise network in the Greater China region.

Taiwan NB

Taiwan NB is a company incorporated in the Taiwan with limited liability and is an indirect wholly-owned subsidiary of the Company. It is engaged in the distribution of beauty and spa products to its subsidiaries and franchising stores in Taiwan.

Beijing NB

Beijing NB is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is engaged in franchisee training and spa operation in Beijing.

NB Sanlian

NB Sanlian is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is engaged in the distribution of beauty and spa products and spa operation in China.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Beijing Jiu Ding Xuan”	北京自然美九鼎軒投資有限公司 (Beijing Natural Beauty Jiu Ding Xuan Investment Co., Ltd), a company established in the PRC with limited liability, which is ultimately owned as to 49% and 51% by Topland (Beijing) Project Management Planning Co. Ltd and the Company respectively
“Beijing NB”	北京自然美化妝品有限公司 (Beijing Natural Beauty Cosmetics Co., Ltd), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Beijing Tenancy Agreement 1”	the tenancy agreement entered into between Beijing NB as tenant and Beijing ZAY as landlord dated 3 November 2008
“Beijing Tenancy Agreement 2”	the tenancy agreement entered into between NB Sanlian as tenant and Beijing ZAY as landlord dated 3 November 2008
“Beijing ZAY”	北京中澳意自然美美容美髮技術培訓有限公司 (Beijing Zhong Ao Yi Natural Beauty Cosmetics & Hair-Style Training Co Ltd), a company established in the PRC with limited liability and is beneficially owned by Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu as to 20%, 40% and 40% respectively
“Board”	the board of Directors of the Company
“Company”	Natural Beauty Bio-Technology Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code : 00157)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Greater China Region”	PRC, Hong Kong and Taiwan
“Group”	Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong

“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NB Sanlian”	上海自然美三聯化妝品有限公司 (Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Pa-Der Tenancy Agreement”	the tenancy agreement entered into between Taiwan NB as tenant and Dr. Su Chien Cheng as landlord dated 3 November 2008
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, being the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“sqm”	square meter(s)
“Taipei Tenancy Agreement”	the tenancy agreement entered into between Taiwan NB as tenant and Dr. Tsai Yen Yu as landlord dated 3 November 2008
“Taiwan NB”	自然美化妝品股份有限公司(Natural Beauty Cosmetics Company Limited), a company with limited liability incorporated in Taiwan and is an indirect wholly owned subsidiary of the Company
“TWD”	Taiwan Dollar, the lawful currency of Taiwan, Republic of China

Unless otherwise stated, for illustration purpose, the exchange rate used in this announcement is HK\$1.00 to TWD4.3161 and HK\$1.00 to RMB0.8856.

By Order of the Board
Natural Beauty Bio-Technology Limited
Su Chien Cheng
Executive Director

Hong Kong, 3 November 2008

As of the date hereof, the 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.