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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:157)

DISCLOSEABLE AND CONNECTED TRANSACTION

On 20 March 2006, NB Shanghai, a subsidiary of the Company, entered into the Preliminary Agreement whereby NB Shanghai agreed to acquire the equity interest held by Chong Ming in NB Sanlian. The Preliminary Agreement was superseded and replaced by the Acquisition Agreement entered into by NB Shanghai and Chong Ming on 3 May 2006, pursuant to which NB Shanghai agreed to acquire 10% equity interest in NB Sanlian from Chong Ming at a total consideration of RMB800,000 (approximately HK\$774,800).

Chong Ming is a Connected Person of the Company and the Acquisition therefore constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined in the Listing Rules) are more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition is exempted from independent shareholders' approval.

The Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further information on the Acquisition will be despatched to the Shareholders as soon as practicable in accordance with the relevant requirements of the Listing Rules.

THE PRELIMINARY AGREEMENT

On 20 March 2006, NB Shanghai and Chong Ming entered into the legally binding Preliminary Agreement under which NB Shanghai agreed to acquire and Chong Ming agreed to sell the 10% equity interest held by Chong Ming in NB Sanlian for a total consideration of RMB800,000 (approximately HK\$774,800). The Preliminary Agreement, for which the Company had not issued an announcement due to an inadvertent oversight, recorded the preliminary understanding between the parties for the purpose of facilitating further discussion and obtaining necessary approvals in the PRC. The Preliminary Agreement was superseded and replaced by the Acquisition Agreement.

THE ACQUISITION AGREEMENT

(i) Date

3 May 2006

(ii) Parties

Vendor: Chong Ming
Purchaser: NB Shanghai

(iii) Subject of the Acquisition

Pursuant to the Acquisition Agreement, NB Shanghai agreed to acquire from Chong Ming and Chong Ming agreed to sell to NB Shanghai 10% equity interest in NB Sanlian for a total consideration of RMB800,000 (approximately HK\$774,800).

(iv) Consideration

Chong Ming has been a passive investor of NB Sanlian as it had not made any further capital contributions to NB Sanlian since its incorporation and had not been involved in its management or operations. Furthermore, Chong Ming had already received investment returns as an equity holder of NB Sanlian throughout the years. Therefore, after arm's length negotiations between the parties and with reference to the capital contribution of Chong Ming in NB Sanlian, which was RMB800,000, Chong Ming agreed to sell to the Company its 10% equity interest in NB Sanlian at RMB800,000 (approximately HK\$774,800).

The consideration will be paid in cash from internal resources of the Group and will be paid to Chong Ming on or before 13 May 2006.

Completion of the Acquisition Agreement is not subject to any conditions precedent.

INFORMATION ON NB SANLIAN

NB Sanlian is a limited liability company incorporated under the laws of the PRC in May 2001 between NB Shanghai and Chong Ming with a registered capital of RMB8,000,000 of which 90% was owned by NB Shanghai and 10% was owned by Chong Ming. NB Sanlian is principally engaged in the sales and marketing of the Group's products, provision of beauty services and management of the Group's franchisees in the PRC.

Based on the financial statements of NB Sanlian, which were prepared in accordance with accounting principles generally accepted in the PRC, the audited profits before taxation for the year ended 31 December 2004 and 2005 were RMB44,520,562 (approximately HK\$43,118,164) and RMB63,451,285 (approximately HK\$61,452,569), respectively, whereas the audited profits after taxation and extraordinary items for the same period were RMB35,541,954 (approximately HK\$34,422,382) and RMB44,751,958 (approximately HK\$43,342,271), respectively.

Accordingly, the audited profits before taxation for the year ended 31 December 2004 and 2005 attributable to the subject of the Acquisition (being 10% equity interest of NB Sanlian) were RMB4,452,056.20 (approximately HK\$4,311,816.40) and RMB6,345,128.50 (approximately HK\$6,145,256.90), respectively, whereas the audited profits after taxation and extraordinary items for the same period attributable to the subject of the Acquisition were RMB3,554,195.40 (approximately HK\$3,442,238.20) and RMB4,475,195.80 (approximately HK\$4,334,227.10), respectively.

The net asset value of NB Sanlian as at 31 December 2005 amounted to RMB236.5 million (approximately HK\$229.1 million). Accordingly, the net asset value of the subject of the Acquisition (being 10% equity interest of NB Sanlian) was RMB23.65 million (approximately HK\$22.91 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

Pursuant to the recently amended PRC Company Laws, NB Sanlian is permitted to be registered and operated as a wholly-foreign owned entity. The Board considers this an opportune time to carry out the Acquisition and believes that the management efficiency of Group can be further enhanced if NB Sanlian becomes a wholly-owned subsidiary of the Company.

The directors of the Company (including the independent non-executive directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTION

Chong Ming is a collective enterprise established in the PRC and is an investment holding company.

Chong Ming is a Connected Person of the Company by virtue of it being a substantial shareholder (as defined in the Listing Rules) of a subsidiary of the Company and the Acquisition therefore constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined in the Listing Rules) are more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition is exempted from independent shareholders' approval.

DISCLOSEABLE TRANSACTION

As the percentage ratio of each of the revenue test and the profits test in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

The Group is principally engaged in the sale of cosmetics products and provision of beauty services. NB Shanghai is a subsidiary of the Company and its principal business is the production and sale of skin care and beauty products.

A circular containing further information on the Acquisition will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules as soon as practicable.

DEFINITIONS

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| “Acquisition” | the acquisition of a 10% equity interest in NB Sanlian by NB Shanghai pursuant to the Acquisition Agreement; |
| “Acquisition Agreement” | the equity transfer agreement dated 3 May 2006 made between NB Shanghai and Chong Ming in relation to the Acquisition; |
| “Board” | the board of directors of the Company; |
| “Chong Ming” | Chong Ming County Sanlian Investment Development Company (崇明縣三聯投資發展公司), a collective enterprise established in the PRC; |
| “Company” | Natural Beauty Bio-Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 157); |
| “Connected Person” | has the meaning ascribed to it under the Listing Rules; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “NB Sanlian” | Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd (上海自然美三聯化妝品有限公司), a limited liability company established in the PRC; |
| “NB Shanghai” | Shanghai Natural Beauty Cosmetics Co., Ltd (上海自然美化妝品有限公司), a subsidiary of the Company established in the PRC; |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong and Taiwan; |
| “Preliminary Agreement” | the agreement dated 20 March 2006 made between NB Shanghai and Chong Ming in relation to the Acquisition; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shareholders” | shareholders of the Company; and |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited. |

The figures in RMB are converted into HK\$ at the rate of RMB1 = HK\$0.9685 throughout this announcement for indication purposes only.

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

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

Hong Kong, 3 May 2006

“Please also refer to the published version of this announcement in The Standard.”