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If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Natural Beauty Bio-Technology Limited, you should at once hand this document and the accompanying forms of proxy and Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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自然美
natural beauty

**GLOBAL RADIANCE
COMPANY LIMITED**

(Incorporated in the Cayman Islands
as an exempted company with limited liability)

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)

**PROPOSED PRIVATISATION BY GLOBAL RADIANCE COMPANY LIMITED
OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)
WITH CANCELLATION CONSIDERATION OF EITHER
(I) CASH OF HK\$1.20 FOR EVERY SCHEME SHARE
OR
(II) 0.000047 HOLDCO ORD SHARES AND 0.117868 HOLDCO PEF SHARES
PLUS CASH OF HK\$0.28 FOR EVERY SCHEME SHARE
AND THE PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING NBBL OPTIONS**

Sole financial adviser to Global Radiance Company Limited



CITIGROUP GLOBAL MARKETS ASIA LIMITED

Independent financial adviser

to the independent committee of the board of directors of Natural Beauty Bio-Technology Limited



SOMERLEY LIMITED

All capitalised terms used in this document have the meanings set out in the section headed "Definitions" on pages 1 to 11 of this document.

A letter from the Board is set out on pages 16 to 34 of this document. An Explanatory Statement regarding the Proposal and the Option Proposal is set out on pages 77 to 115 of this document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Scheme and NBBL Optionholders in respect of the Option Proposal is set out on pages 35 and 36 of this document. A letter from Somerley Limited, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Scheme and the Option Proposal is set out on pages 37 to 76 of this document.

Notices convening the Court Meeting and the EGM to be held at Room 105-106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Thursday, 26 February 2009 at respectively 11:00 a.m. and 11:30 a.m. (or in the case of the EGM immediately after the conclusion or adjournment of the Court Meeting) are set out on pages N-1 to EGM-2 of this document. Whether or not you are able to attend the Court Meeting and/or EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions respectively printed on them, and to deposit them at NBBL's share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under paragraph 23 headed "Action to be Taken" in the Explanatory Statement on pages 112 to 115 of this document. The pink form of proxy in respect of the Court Meeting may be returned by facsimile at number (852) 2368 3434 (marked for the attention of the "Company Secretary") not later than the time and date stated in paragraph 23 headed "Action to be Taken" in the Explanatory Statement on pages 112 to 115 of this document. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited.

This document is jointly issued by Global Radiance Company Limited and Natural Beauty Bio-Technology Limited.

30 January 2009

IMPORTANT NOTICE

NOTICE TO US INVESTORS

The Proposal relates to the ordinary shares with a par value of HK\$0.10 each in the share capital of Natural Beauty Bio-Technology Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange, and is proposed to be effected by way of a scheme of arrangement under the laws of the Cayman Islands and applicable rules and regulations in Hong Kong. Accordingly, the Proposal is subject to disclosure requirements, rules and practices applicable in the Cayman Islands and Hong Kong, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of United States federal securities laws or in accordance with the laws or regulations of any other jurisdiction. The financial information included in this document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of United States companies or companies whose financial statements are prepared in accordance with US GAAP. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Takeovers Code and the Companies Law, which differ from United States domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

It may be difficult for United States holders of NBBL Shares to enforce their rights and any claim arising out of United States securities law, since the Offeror Group Companies and NBBL are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. United States holders of NBBL Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws, or enforce against them a judgement rendered by a United States court. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's jurisdiction.

Neither the United States Securities and Exchange Commission nor any other United States federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this document. Any representations to the contrary is a criminal offence in the United States.

NBBL Shareholders may obtain free copies of this document at the website maintained by the Stock Exchange at www.hkexnews.hk.

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DEFINITIONS

In this document, the following expressions have the meanings respectively set opposite them unless the content requires otherwise:

“acting in concert”	has the meaning ascribed to this term under the Takeovers Code
“Adventa Group”	Adventa Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Announcement”	the announcement dated 25 November 2008 issued jointly by Bidco and NBBL pursuant to Rule 3.5 of the Takeovers Code in relation to the Proposal
“Asset Sale”	a sale by Holdco or its subsidiaries on bona fide arms’ length terms of all, or substantially all, of the business, assets and undertakings of Holdco and its subsidiaries, subject to and conditional upon the distribution of the proceeds of such sale to the Holdco Shareholders
“Associates”	has the meaning ascribed to this term under the Takeovers Code
“Authorisation”	all necessary approvals, licences, consents, registrations, filing, rulings, permits and authorisations from any Authority in connection with the Proposal
“Authority”	any relevant government, administrative or regulatory body or court tribunal, arbitrator or governmental agency or authority or department
“Beneficial Owner”	any beneficial owner of NBBL Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“Bidco”	Global Radiance Company Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no.WK-219222), whose registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands and which is a wholly-owned subsidiary of Holdco
“Bidco Board”	the board of Bidco Directors
“Bidco Directors”	the directors of Bidco

DEFINITIONS

“Bidco Ordinary Resolution”	a resolution: <ul style="list-style-type: none">(a) passed by a simple majority of such shareholders of Bidco as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of Bidco and where a poll is taken regard shall be had in computing a majority to the number of votes to which each shareholder of Bidco is entitled; or(b) approved in writing by all of the shareholders of Bidco entitled to vote at a general meeting of Bidco in one or more instruments each signed by one or more of the shareholders of Bidco and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed
“Bidco Shares”	ordinary shares with a par value of US\$0.01 each in the share capital of Bidco
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
“Bye-Laws”	the memorandum and articles of association of Holdco
“Cancellation Consideration”	the Cash Alternative or the Private Holdco Shares Alternative
“Cash Alternative”	the cash consideration alternative under the Proposal, being HK\$1.20 in cash for every Scheme Share
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Citi”	Citigroup Global Markets Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities
“Class” or “Classes”	any class or classes of Holdco Shares as may from time to time be issued by Holdco

DEFINITIONS

“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands
“Committed Shareholders”	Efficient Market, Adventa Group and Fortune Bright
“Committed Shares”	(i) the aggregate of 1,311,690,000 NBBL Shares owned by Efficient Market, Adventa Group and Fortune Bright (representing approximately 65.56% of the NBBL Shares in issue as at the Latest Practicable Date); (ii) any other NBBL Share which Efficient Market, Adventa Group or Fortune Bright may acquire on or after the date hereof; and (iii) any other NBBL Shares attributable to or derived from the NBBL Shares referred to in (i) and (ii)
“Conditions”	the conditions to the implementation of the Proposal set out in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 82 to 86 of this document
“Controlling Parties”	in the case of Efficient Market, Dr. Tsai Yen-Yu; in the case of Adventa Group, Dr. Su Chien Cheng; and in the case of Fortune Bright, Dr. Su Sh Hsyu
“Court Meeting”	a meeting of NBBL Shareholders convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon. NBBL Shareholders who are not Disinterested Scheme Shareholders will abstain from voting at this meeting. This meeting will be held at 11:00 a.m. on 26 February 2009 at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong, the notice of which is set out on pages N-1 to N-2 of this document, or any adjournment thereof
“CVC”	CVC Asia Pacific Ltd., a company incorporated in Hong Kong
“CVC Holdco”	Global Radiance Group Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. MC-189470), whose registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands, and which is wholly-owned by the Investment Funds

DEFINITIONS

“CVC Holdco Board”	the board of CVC Holdco Directors
“CVC Holdco Directors”	the directors of CVC Holdco
“Disinterested Scheme Shareholders”	the NBBL Shareholders other than the Offeror Group Companies and any persons acting in concert with Bidco but including, for the avoidance of doubt, Citibank N.A. in its capacity as a custodian of NBBL Shares held on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of
“Disinterested Scheme Shares”	the NBBL Shares held by the Disinterested Scheme Shareholders
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms and which date will in accordance with the current timetable be 27 March 2009 (date in the Cayman Islands) and, in any event, be no later than 31 March 2009 (or such other date as Bidco and NBBL may agree from time to time)
“Efficient Market”	Efficient Market Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Election Form”	the blue form of election to be completed by NBBL Shareholders in order to elect the Private Holdco Shares Alternative despatched to NBBL Shareholders together with this document
“Estimates of Value”	the estimates of value of Holdco Shares set out in Appendix IV to this document
“Exit”	completion of: (a) a Sale; (b) a Listing; or (c) an Asset Sale
“Executive”	the executive director of the Corporate Finance Division of the SFC, or any delegate of the executive director

DEFINITIONS

“Explanatory Statement”	the explanatory statement issued in compliance with the Rules of the Grand Court and set out on pages 77 to 115 of this document
“Extraordinary General Meeting” or “EGM”	an extraordinary general meeting of NBBL Shareholders, the notice of which is set out on pages EGM-1 to EGM-2 of this document, (including any adjournment thereof) to be held at 11:30 a.m. on 26 February 2009 at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong (or as soon thereafter as the Court Meeting convened on the same day and place shall have been concluded or adjourned) to consider and vote on, among other things, the Reduction (but not the Scheme as approval of the Scheme by the NBBL Shareholders takes place at the Court Meeting where NBBL Shareholders who are not Disinterested Scheme Shareholders will not be present and voting). All NBBL Shareholders are eligible to vote at this meeting
“Fortune Bright”	Fortune Bright Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Grand Court”	the Grand Court of the Cayman Islands
“Holdco”	Global Radiance Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. WK-219223), whose registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands and which is ultimately wholly-owned by funds advised by CVC
“Holdco Board”	the board of Holdco Directors
“Holdco Directors”	the directors of Holdco
“Holdco Group Company”	Holdco and its subsidiaries from time to time
“Holdco Ord Shares”	ordinary shares with a par value of US\$0.01 each in the share capital of Holdco

DEFINITIONS

“Holdco Ordinary Resolution”	a resolution: <ul style="list-style-type: none">(a) passed by a simple majority of such Holdco Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of Holdco and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Holdco Shareholder is entitled; or(b) approved in writing by all of the Holdco Shareholders entitled to vote at a general meeting of Holdco in one or more instruments each signed by one or more of the Holdco Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed
“Holdco Pref Shareholders”	a person who is registered as the holder of Holdco Pref Shares
“Holdco Pref Shares”	preference shares with a par value of US\$0.01 each in the share capital of Holdco
“Holdco Shareholder”	a person who is registered as the holder of Holdco Shares
“Holdco Shares”	a share in the capital of Holdco following the implementation of the Proposal and shall be deemed to be shares of any or all Classes, including Holdco Ord Shares and Holdco Pref Shares, as the context may require

DEFINITIONS

“Holdco Special Resolution”	a resolution: <ul style="list-style-type: none">(a) passed by a majority of not less than two-thirds of such Holdco Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of Holdco of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Holdco Shareholder is entitled; or(b) approved in writing by all of the Holdco Shareholders entitled to vote at a general meeting of Holdco in one or more instruments each signed by one or more of the Holdco Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Agreement”	the agreement entered into between Bidco and NBBL on 10 November 2008 whereby the parties have agreed that Bidco will effect the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law and on the terms and conditions of the implementation of the Proposal
“Independent Board Committee”	the independent committee of the NBBL Board comprising of all the independent non-executive directors of NBBL, namely Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching, established for the purpose of, amongst other things, advising the Disinterested Scheme Shareholders in relation to the Scheme
“Investment Funds”	CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P. which ultimately own Holdco
“Investor Participant”	a person admitted to participate in CCASS as an investor participant

DEFINITIONS

“Irrevocable Undertakings”	the irrevocable undertaking given by each of Efficient Market, Adventa Group and Fortune Bright all dated 9 November 2008 respectively in respect of the Committed Shares in favour of Bidco as mentioned in paragraph 6 headed “Irrevocable Undertakings to Accept the Proposal” in the Explanatory Statement on page 88 of this document
“Latest Practicable Date”	23 January 2009, being the latest practicable date prior to the despatch of this document for the purpose of ascertaining certain information contained herein
“Last Trading Day”	5 November 2008, being the last full trading day prior to the suspension of trading in NBBL Shares pending the issue of the Announcement
“Listing”	the listing of, and commencement of dealing in Holdco Shares or the shares of any of its subsidiaries or any other company which ultimately (whether directly or indirectly) owns substantially all of the assets and business of Holdco and its subsidiaries, on the Stock Exchange or such other internationally recognised stock exchange as may be agreed by the Holdco Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NBBL”	Natural Beauty Bio-Technology Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“NBBL Board”	the board of NBBL Directors
“NBBL Directors”	the directors of NBBL
“NBBL Group”	NBBL and its subsidiaries
“NBBL Option”	option(s) granted under the NBBL Share Option Scheme
“NBBL Optionholders”	holders of NBBL Options under the NBBL Share Option Scheme
“NBBL Shareholder”	a person entered in the register of members of NBBL as the holder from time to time of NBBL Shares

DEFINITIONS

“NBBL Shares”	ordinary shares with a par value of HK\$0.10 each in the share capital of NBBL
“NBBL Share Option Scheme”	the share option scheme of NBBL adopted on 11 March 2002
“Offeror Group”	Bidco, Holdco and CVC Holdco
“Offeror Group Company”	any member of the Offeror Group and “Offeror Group Companies” shall be construed accordingly
“Offer Period”	the period from the date of the Announcement until the earlier of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“Option Cut-Off Time”	4:30 p.m. on Friday, 6 March 2009 (being the latest time for lodging the notice of exercise of NBBL Options for NBBL Shares to qualify for entitlement under the Scheme)
“Option Exercise Notice”	the notice to be sent to NBBL Optionholders advising them that they may exercise their NBBL Options (whether or not these have otherwise vested and become exercisable) during the period starting immediately following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, until the Option Cut-Off Time
“Option Proposal”	the cash offer made by Bidco to cancel the outstanding NBBL Options on the terms and subject to the conditions contained in this document and the Option Proposal Letter
“Option Proposal Letter”	the letter setting out the terms and conditions of the Option Proposal and the Option Exercise Notice which will be sent separately to NBBL Optionholders as soon as practicable following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively

DEFINITIONS

“Option Proposal Offer Period”	the period during which the Option Proposal is open for acceptance, being the period starting immediately following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and Extraordinary General Meeting, respectively, and ending at the Record Time
“person”	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires
“PRC”	the People’s Republic of China
“Private Holdco Shares Alternative”	the cash and share alternative under the Proposal, being 0.000047 Holdco Ord Shares and 0.117868 Holdco Pref Shares, plus cash of HK\$0.28, for every Scheme Share
“Proposal”	the proposal for the privatisation of NBBL by Bidco to be effected by way of the Scheme described in this document
“Record Date”	26 March 2009, being the date on which the entitlements of NBBL Shareholders under the Scheme are determined
“Record Time”	4:30 p.m. (Hong Kong time) on the Record Date
“Reduction”	the proposed cancellation and extinguishment of the issued share capital of NBBL in connection with the Proposal under the Companies Law
“Registered Owner”	any nominee, trustee, depository or any other authorised custodian or third person who is the registered holder of NBBL Shares
“Relevant Period”	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
“Sale”	a bona fide arms’ length transfer (whether through a single transaction or a series of transactions) of more than 50% of the Holdco Shares in issue to any person or group of persons acting in concert

DEFINITIONS

“Scheme”	a scheme of arrangement under section 86 of the Companies Law involving the cancellation of all the Scheme Shares, and the subsequent issue of an equivalent number of new NBBL Shares to Bidco
“Scheme Shares”	NBBL Shares held by the Scheme Shareholders
“Scheme Shareholders”	the NBBL Shareholders whose names appear on NBBL’s register of members at the Record Time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sommerley”	Sommerley Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities and the independent financial adviser to the Independent Board Committee in relation to the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vigers”	Vigers Appraisal and Consulting Limited, an independent professional property valuer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“US GAAP”	generally accepted accounting principles set by the Financial Accounting Standards Board of the United States
“%”	per cent.

EXPECTED TIMETABLE

Hong Kong time
(unless otherwise stated)

Latest time for lodging transfers of NBBL Shares
in order to qualify for attending and voting
at the Court Meeting and the EGM before 4:30 p.m. on Monday,
23 February 2009

Latest time for lodging forms of proxy
in respect of:
Court Meeting⁽¹⁾ 11:00 a.m. on Tuesday, 24 February 2009
EGM⁽¹⁾ 11:30 a.m. on Tuesday, 24 February 2009

Register of members of NBBL closed for
determination of entitlements of
NBBL Shareholders to attend and vote
at the Court Meeting and at the EGM⁽²⁾ Tuesday, 24 February 2009 to
Thursday, 26 February 2009

Suspension of dealing in NBBL Shares 9:30 a.m. on Thursday, 26 February 2009

Court Meeting⁽³⁾ 11:00 a.m. on Thursday, 26 February 2009

EGM⁽³⁾ 11:30 a.m. on Thursday, 26 February 2009
(or immediately after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of
the Court Meeting and the EGM published on
the website of the Stock Exchange and
the website of NBBL No later than 7:00 p.m. on Thursday,
26 February 2009

Resumption of dealing in NBBL Shares 9:30 a.m. on Friday, 27 February 2009

Despatch of Option Proposal Letter As soon as practicable after
the Court Meeting
but in any event
no later than
Friday, 27 February 2009

Court hearing of NBBL's summons for
directions in respect of the Reduction⁽⁷⁾ Thursday, 5 March 2009

Option Cut-Off Time⁽⁴⁾ 4:30 p.m. on Friday, 6 March 2009

Latest time for dealing in NBBL Shares 4:10 p.m. on Friday,
13 March 2009

EXPECTED TIMETABLE

- Latest time for lodging transfers of NBBL Shares
to qualify for entitlements under the Scheme 4:30 p.m. on Wednesday,
18 March 2009
- Register of members of NBBL closed for
determination of Scheme Shareholders
who are qualified for entitlements
under the Scheme Thursday, 19 March 2009 to
Thursday, 26 March 2009
- Record Time 4:30 p.m. on Thursday, 26 March 2009
- Latest time for lodging Election Forms by
Scheme Shareholders who are qualified
for entitlements under the Scheme⁽⁵⁾ 4:30 p.m. on Thursday, 26 March 2009
- Latest time for lodging forms of acceptance
in relation to Option Proposal⁽⁶⁾ 4:30 p.m. on Thursday, 26 March 2009
- Court hearing of the petition to sanction
the Scheme and to confirm the Reduction⁽⁷⁾ Friday, 27 March 2009
- Effective Date^{(7), (8)} Friday, 27 March 2009
- Announcement of (1) the results of
the Court hearing (2) the Effective date
and (3) the intention to withdraw
the listing of NBBL from the Stock Exchange Sunday, 29 March 2009
- Withdrawal of the listing of NBBL Shares on
the Stock Exchange 9:30 a.m. on Monday, 30 March 2009
- Cheques for cash entitlements and
certificates for Holdco Shares
to be despatched⁽⁹⁾ on or before Monday, 6 April 2009

NBBL Shareholders and NBBL Optionholders should note that the timetable is subject to change. Further announcement(s) will be made in the event that there is any change to the timetable.

EXPECTED TIMETABLE

Notes:

- (1) Forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with Hong Kong Registrars Limited, NBBL'S Hong Kong share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than the times and dates stated above. The pink form of proxy in respect of the Court Meeting may be returned by facsimile at number (852) 2368 3434 (marked for the attention of the "Company Secretary") not later than 11:00 a.m. on Tuesday, 24 February 2009. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited. In order to be valid, the pink form of proxy for the Court Meeting and the white form of proxy for the EGM must be deposited by the time and date stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a NBBL Shareholder entitled to do so from attending the relevant meeting and voting in person. In such event, the relevant form of proxy will be deemed to have been revoked.

In the case of any Beneficial Owner whose NBBL Shares are held by a Registered Owner (such as a nominee, depository, trustee or authorised custodian), such Beneficial Owner should contact the Registered Owner and provide him/her/it with instructions in relation to the manner in which the NBBL Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or EGM. Such instructions should be given before the latest time for the lodgment of forms of proxy in respect of the Court Meeting and EGM or otherwise in accordance with the instructions of the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date and time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

Any Beneficial Owner whose NBBL Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant, contact their broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such NBBL Shares with, a CCASS participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme and the Reduction. The same timeframes for contacting their broker, custodian, nominee or other relevant person as set out in the previous paragraph apply to such Beneficial Owners. The procedure for voting in respect of the Scheme and the Reduction by the investor participants and other CCASS participants with respect to NBBL Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and "CCASS Operational Procedures".

- (2) The closure of the register of members of NBBL during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of NBBL Shareholders to attend and vote at the Court Meeting and the EGM.
- (3) The Court Meeting and EGM will be held at Room 105-106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong at the times and dates specified above. Notice of the Court Meeting is set out on pages N-1 to N-2 of this document and Notice of the EGM is set out on pages EGM-1 to EGM-2 of this document.
- (4) NBBL Optionholders shall lodge the notice to exercise their NBBL Options (in the form appended to the Option Proposal Letter) with NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), together with the certificate(s) for the NBBL Options being exercised and where necessary pursuant to the terms of the grant of the NBBL Options, payment for the aggregate amount of the exercise price of such NBBL Options multiplied by the number of NBBL Shares to be issued pursuant to the exercise of such NBBL Options no later than the Option Cut-Off Time or such later date and time as may be notified through announcement pursuant to the terms and conditions of the NBBL Share Option Scheme. Copies of the Option Proposal Letter can also be obtained from the Company Secretary of NBBL at Unit 3512, 35/F, The Centre, 99 Queen's Road Central, Central, Hong Kong, subsequent to the despatch of the Option Proposal Letter.

EXPECTED TIMETABLE

- (5) The Election Form, duly completed in accordance with the instructions on them, must be lodged with NBBL's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, so as to reach them no later than the Record Time or such later date and time as may be notified through announcement, failing which the Scheme Shareholders will receive the Cash Alternative in respect of their entire holding of Scheme Shares if the Scheme becomes effective. If you have sold or transferred all or part of your Scheme Shares, you should at once hand this document and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from NBBL's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at any time before the Record Time.
- (6) The form of acceptance in relation to the Option Proposal (which will be appended to the Option Proposal Letter) duly completed in accordance with the instructions on them must be lodged with NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), so as to reach it no later than the Record Time or such later date and time as may be notified through announcement, failing which the NBBL Options will automatically lapse on the sanctioning of the Scheme by the Grand Court. Copies of the Option Proposal Letter and the form of acceptance in relation to the Option Proposal can also be obtained from NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong, subsequent to the despatch of the Option Proposal Letter and at any time before the Record Time.
- (7) All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court hearing of the petition to sanction the Scheme and to confirm the Reduction, the Court hearing of NBBL's summons for directions in respect of the Reduction, and the Effective Date, which are the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
- (8) The Scheme will become effective upon all the conditions set out in the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 82 to 86 of this document having been satisfied or waived, as applicable.
- (9) (i) Cheques for cash entitlements to those who elect the Cash Alternative, (ii) cheques for cash entitlements and share certificates for Holdco Shares to those who validly elect the Private Holdco Shares Alternative, and (iii) cheques for cash entitlements to NBBL Optionholders who validly accept the Option Proposal will be despatched by post within 10 days from the Effective Date.



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)

Executive Directors:

Dr. Tsai Yen Yu
Mr. Lee Ming Ta
Dr. Su Chien Cheng
Dr. Su Sh Hsyu

Registered office:

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Independent Non-executive Directors:

Mr. Yeh Liang Fei
Mrs. Chen Shieh Shu Chen
Mr. Chen Ching

Principal place of business in Hong Kong:

Unit 3512, 35/F
The Center
99 Queen's Road Central
Central
Hong Kong

30 January 2009

To NBBL Shareholders and NBBL Optionholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION BY GLOBAL RADIANCE COMPANY LIMITED
OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)
WITH CANCELLATION CONSIDERATION OF EITHER
(I) CASH OF HK\$1.20 FOR EVERY SCHEME SHARE
OR
(II) 0.000047 HOLDCO ORD SHARES AND 0.117868 HOLDCO PEF SHARES
PLUS CASH OF HK\$0.28 FOR EVERY SCHEME SHARE
AND THE PROPOSED CASH OFFER TO CANCEL
ALL OUTSTANDING NBBL OPTIONS**

1. INTRODUCTION

On 25 November 2008, the Bidco Board and the NBBL Board jointly announced that Bidco and NBBL entered into the Implementation Agreement on 10 November 2008,

LETTER FROM THE NBBL BOARD

pursuant to which the parties agreed that Bidco will pursue the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of new NBBL Shares to Bidco. If the Proposal is implemented, it will result in NBBL becoming a wholly-owned subsidiary of Bidco.

The Scheme Shares comprise all the NBBL Shares held by NBBL Shareholders at the Record Time. As at the Latest Practicable Date, there were 2,000,639,430 NBBL Shares held by NBBL Shareholders.

Bidco has appointed Citi as its sole financial adviser in connection with the Proposal. As at the Latest Practicable Date, Citibank N.A., an affiliate of Citi, held 5,535,400 NBBL Shares as custodian on behalf of its clients (who are the beneficial owners thereof and who control the entire voting rights attaching thereto) and of which Citibank N.A. does not have discretionary management of, representing approximately 0.28% of the issued share capital of NBBL. Citibank N.A. will be entitled to vote at the Court Meeting in respect of any NBBL Shares which it holds for its clients as custodian upon receiving instructions from its clients.

Save as disclosed above, neither the Offeror Group Companies nor persons acting in concert with Bidco owns or controls any NBBL Shares, NBBL Options or any convertible securities, warrants, options or derivatives in respect of the NBBL Shares.

Neither NBBL nor persons acting in concert with it owns or controls any Bidco Shares, Holdco Shares or any convertible securities, warrants, options or derivatives in respect of the Bidco Shares or Holdco Shares.

In compliance with Rule 2.1 of the Takeovers Code, the NBBL Board has established the Independent Board Committee, comprising all of the independent non-executive directors of NBBL, being Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching, to advise the Disinterested Scheme Shareholders in respect of the Proposal and the NBBL Optionholders in respect of the Option Proposal. The Independent Board Committee has approved the appointment of Somerley as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal and the Option Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and the Option Proposal and, in particular, the Scheme, and to give you notices of the Court Meeting and Extraordinary General Meeting. Your attention is also drawn to (1) the letter from the Independent Board Committee set out on pages 35 to 36 of this document, (2) the letter from Somerley, the independent financial adviser to the Independent Board Committee, set out on pages 37 to 76 of this document, (3) the Explanatory Statement set out on pages 77 to 115 of this document and (4) the terms of the Scheme set out on pages S-1 to S-10 of this document.

LETTER FROM THE NBBL BOARD

2. TERMS OF THE PROPOSAL

Under the terms of the Proposal, subject to the satisfaction or waiver, as applicable, of the Conditions, the Proposal will be implemented by way of the Scheme pursuant to which the Scheme Shares will be cancelled and, in consideration thereof, all of the Scheme Shareholders whose names appear on the register of members of NBBL at the Record Time will be entitled to receive either:

- (a) *Cash Alternative*: Cash of HK\$1.20 for every Scheme Share; or
- (b) *Private Holdco Shares Alternative*: 0.000047 Holdco Ord Share(s) and 0.117868 Holdco Pref Share(s), plus cash of HK\$0.28 for every Scheme Share.

The Cash Alternative and the cash element of the Private Holdco Shares Alternative will be financed by Bidco. The Scheme Shareholders may elect either the Cash Alternative or the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two). Scheme Shareholders who do not make any election, or fail to make a valid election for Private Holdco Shares Alternative in accordance with this document, will receive the cash consideration under the Cash Alternative if the Scheme becomes effective.

Bidco and Holdco have agreed, subject to the Scheme becoming effective, that Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Private Holdco Shares Alternative.

The Cancellation Consideration will not include any dividends which may be declared by NBBL prior to the Effective Date. No dividends or other distributions have been or will be declared by NBBL from the date of the Announcement up to the earlier of the Effective Date, the date on which the Scheme lapses or is withdrawn, both dates inclusive.

Issued NBBL Shares, outstanding NBBL Options, convertible securities, warrants, options or derivatives of NBBL

As at the Latest Practicable Date, there were 2,000,639,430 NBBL Shares in issue and 2,852,887 NBBL Options which are convertible into 2,852,887 NBBL Shares. Save as disclosed above, NBBL does not have any outstanding convertible securities, warrants, options or derivatives in respect of any NBBL Shares.

The Cash Alternative

The cash consideration of HK\$1.20 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 9.89% over the volume weighted average closing price of HK\$1.092 per NBBL Share for the 10 trading days up to and including the Last Trading Day;

LETTER FROM THE NBBL BOARD

- (b) a premium of approximately 1.78% over the volume weighted average closing price of HK\$1.179 per NBBL Share for the 20 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 163.74% to the audited consolidated net asset value attributable to NBBL Shareholders per NBBL Share of about HK\$0.455 as at 31 December 2007;
- (d) a premium of approximately 166.08% to the unaudited consolidated net asset value attributable to NBBL Shareholders per NBBL Share of about HK\$0.451 as at 30 June 2008 as disclosed in NBBL's unaudited financial results for the six-month period ended on 30 June 2008 published on 24 September 2008;
- (e) a discount of approximately 15.49% over the closing price of HK\$1.42 per NBBL Share as quoted on the Stock Exchange as at the Last Trading Day; and
- (f) no premium or discount over the closing price of HK\$1.20 per NBBL Share as quoted on the Stock Exchange as at the Latest Practicable Date.

NBBL Shareholders should note that on the Last Trading Day the share price of NBBL increased by 17.4% to HK\$1.42, which was the largest single day percentage increase in NBBL's share price since April 2002 (the only larger single day percentage increase occurring on the second trading day following the listing of NBBL Shares on the Stock Exchange). Scheme Shareholders should further note that since the Last Trading Day to the Latest Practicable Date, the Hang Seng Index has decreased by 15.24%.

The Private Holdco Shares Alternative

The actual number of Holdco Shares to be made available for allotment and issuance under the Private Holdco Shares Alternative will be determined at the Record Date. On the basis that all the Scheme Shareholders elect the Private Holdco Shares Alternative and all the NBBL Options are cancelled pursuant to the Option Proposal, 235,905,398 Holdco Shares shall be issued, representing approximately 59.44% of the fully diluted issued share capital of Holdco.

The Holdco Shares are shares of a newly incorporated unlisted and exempted limited liability company in the Cayman Islands. As set out in Appendix IV to this document, Citi has advised the Bidco Directors that an estimate of the value of a Holdco Ord Share is within a range of approximately HK\$6.24 to HK\$7.80 and an estimate of the value of a Holdco Pref Share is within a range of approximately HK\$6.24 to HK\$7.80. Based on the Private Holdco Shares Alternative, whereby each Scheme Shareholder is entitled to receive 0.000047 Holdco Ord Share(s) and 0.117868 Holdco Pref Share(s), plus cash of HK\$0.28 for every Scheme Share, this implies a consideration of approximately HK\$1.02 to HK\$1.20 for every Scheme Share.

LETTER FROM THE NBBL BOARD

NBBL Shareholders should note that the Estimates of Value do not represent a formal opinion of the value of a Holdco Ord Share or a Holdco Pref Share by Citi or Bidco and these Estimates of Value are provided to the Bidco Directors by Citi solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be relied upon by any third party for any purpose whatsoever and Citi expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix IV, each of Bidco and Citi expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any elections to choose the Cash Alternative or the Private Holdco Shares Alternative and also expresses no opinion as to the fairness of the financial terms of the Proposal.

For further details, including key assumptions and methodology adopted in respect of the Estimate of Value, please refer to Appendix IV to this document.

The Holdco Ord Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank *pari passu* with the existing Holdco Ord Share at the date of issue. There is no dividend policy in respect of the Holdco Ord Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ord Shares. Payment of Holdco Ord Shares dividends (if any) is dependent solely on whether such payment is lawful under the laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. The payment of Holdco Ord Shares dividend (if any) is also subject to the prior rights of payment of Holdco Pref Shares dividends to the Holdco Pref Shareholders. The holders of Holdco Ord Shares shall be entitled to receive notice of general meetings of Holdco and shall have the right to one vote per Holdco Ord Share at such meetings.

The Holdco Pref Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank for any dividends or other distributions declared ahead of the Holdco Ord Shares. The Holdco Pref Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ord Shares. The Holdco Pref Shares dividends will accrue on a non-cash and non-compounded basis at the rate of 8% per annum in respect of the Holdco Pref Shares, such percentage being a percentage of the issue price of each Holdco Pref Share. However, the payment of such dividends (if any) is dependent solely on whether such payment is lawful under the laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. There is no dividend policy in respect of the Holdco Pref Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Pref Shares. The Holdco Pref Shares do not confer any further right of participation in the profits of Holdco.

LETTER FROM THE NBBL BOARD

In addition, the Holdco Pref Shares may be redeemed (subject to the laws of the Cayman Islands) at the election of Holdco, subject to the consent of the holders of a majority of not less than two-thirds of the Holdco Pref Shares in issue and pursuant to the terms of the Bye-Laws and subject to the Companies Law. However, on or immediately before an Exit, Holdco shall (unless a majority of not less than two-thirds of the Holdco Pref Shareholders shall otherwise agree and subject to the Companies Law) redeem all Holdco Pref Shares then in issue.

The Holdco Pref Shares will be redeemed, subject to the laws of the Cayman Islands, at an amount equal to the aggregate of (i) the par value of such Holdco Pref Shares, together with any amount credited to the share premium account in respect of such Holdco Pref Shares and (ii) any accrued and unpaid Holdco Pref Share dividends as calculated up to and including the date on which such Holdco Pref Shares are redeemed by Holdco.

The Holdco Pref Shareholders shall be entitled to receive notice of general meetings of Holdco but not to attend or vote thereat unless the business of the meeting includes a resolution (in which case Holdco Pref Shareholders shall have the right to attend and have one vote per Holdco Pref Share):

- (i) for winding up Holdco; or
- (ii) affecting, altering or abrogating the rights or privileges or restrictions attached to the Holdco Pref Shares.

Save for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected the Private Holdco Shares Alternative as the form of Cancellation Consideration (which the Holdco Board has consented to in writing), the Holdco Shares will not be tradable or transferable without the prior written consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of the Cayman Islands, including but not limited to the fiduciary duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted limited liability company. The ability of the Holdco Board to withhold its consent in its absolute discretion to permit the transfer of Holdco Shares is common restrictive wording adopted by many private companies in the Cayman Islands. The issue and/or transfer of such new Holdco Shares will be subject to the Bye-Laws and the rights of Scheme Shareholders in Holdco will primarily be governed by the Bye-Laws, the Companies Law and the laws of Cayman Islands.

Please refer to paragraph 18 headed "Registration, Payment and Despatch of Holdco Share Certificates" in the Explanatory Statement of this document and paragraph 6 headed "Share Capital of Holdco and Capital, Dividends and Voting Rights of Holdco Shares" in Appendix III of this document headed "General Information" for further information on Holdco Shares.

LETTER FROM THE NBBL BOARD

NBBL Options and the Option Proposal

As at the Latest Practicable Date, there were 2,852,887 NBBL Options held by NBBL Optionholders which are convertible into 2,852,887 NBBL Shares. Of these, (a) 639,431 NBBL Options (the **2007 Options**) have an exercise price of HK\$1.76, all of which have vested and of which 383,659 are exercisable on or after 1 July 2009 and 255,772 are exercisable on or after 1 July 2010, and (b) 2,213,456 NBBL Options (the **2008 Options**) have an exercise price of HK\$1.69 and, subject to vesting pursuant to their terms of grant, 1,106,728 of which will become exercisable on or after 1 July 2009, 664,036 will become exercisable on or after 1 July 2010 and 442,692 will become exercisable on or after 1 July 2011. As at the Latest Practicable Date, none of the 2008 Options have vested yet. In any event, none of the 2007 Options and the 2008 Options may be exercised after 27 July 2017 and 16 July 2018 respectively (being ten years from the date of grant of the 2007 Options and the 2008 Options respectively). The following table sets out details of these outstanding NBBL Options:

	Number	Exercise price (HK)	Exercisable on or after	Vesting
<i>2007 Options</i>	383,659	1.76	1 July 2009	vested
	255,772	1.76	1 July 2010	vested
Total 2007 Options	639,431			
<i>2008 Options</i>	1,106,728	1.69	1 July 2009	not yet vested
	664,036	1.69	1 July 2010	not yet vested
	442,692	1.69	1 July 2011	not yet vested
Total 2008 Options	2,213,456			
Total outstanding NBBL Options convertible into the same number of NBBL Shares	2,852,887			

As at the Latest Practicable Date, none of the NBBL Directors had any interests in any NBBL Options.

In the event that any NBBL Options are exercised after the Latest Practicable Date and NBBL Shares are consequently issued prior to the Record Time, any such NBBL Shares shall participate in the Scheme.

LETTER FROM THE NBBL BOARD

Once the Scheme and the Reduction are approved by the relevant majorities at the Court Meeting and the Extraordinary General Meeting, an Option Exercise Notice will be sent to all NBBL Optionholders, as soon as practicable and pursuant to the terms and conditions of the NBBL Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their NBBL Options (whether or not these have otherwise vested and become exercisable) at any time up to the Option Cut-Off Time by giving notice in writing (in the form appended to the Option Proposal Letter) to NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), together with the certificate for such NBBL Options and, where necessary pursuant to the terms of grant of the NBBL Options, payment for the aggregate amount of the exercise price of such NBBL Options multiplied by the number of NBBL Shares to be issued pursuant to the exercise of such NBBL Options. It is a term of grant of the NBBL Options that, upon the exercise of such options (including any part thereof), NBBL will as an additional employee incentive pay the relevant NBBL Optionholder a cash bonus in the amount of the total exercise price payable for the exercise. NBBL Optionholders are required to use any such cash bonus towards payment of the exercise price of the relevant NBBL Options.

Bidco is making the Option Proposal during the Option Proposal Offer Period to the NBBL Optionholders to purchase and cancel all their outstanding NBBL Options, whether vested or not. The offer to cancel each NBBL Option will be calculated on a "see-through" basis, so that each NBBL Optionholder will be entitled to receive a price for his/her NBBL Options being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of his/her NBBL Options. As the exercise price of all the NBBL Options is above the Cash Alternative, the offer price under the Option Proposal will be HK\$1.00 per board lot (which comprises 10,000 NBBL Shares) or part board lot of NBBL Shares which would be issued if the relevant NBBL Options were exercised in full. No stamp duty is payable in relation to the offer price under the Option Proposal. The Option Proposal is conditional upon the Scheme becoming effective and binding. The Option Proposal Offer Period will start immediately following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, and will end at the Record Time. The Court Meeting and the Extraordinary General Meeting are currently scheduled to take place on 26 February 2009. In order to accept the Option Proposal, each NBBL Optionholder will be required to duly complete the form of acceptance (appended to the Option Proposal Letter) in accordance with the instructions contained therein and to return it to NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), during the Option Proposal Offer Period.

If the Scheme and the Reduction are approved by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, and the Scheme is sanctioned by the Grand Court and becomes effective, any NBBL Options that are not exercised prior to the Option Cut-Off Time or cancelled pursuant to the Option Proposal will automatically lapse on the sanctioning of the Scheme by the Grand Court.

LETTER FROM THE NBBL BOARD

If the Scheme is not sanctioned by the Grand Court or any of the Conditions are not satisfied and the Scheme does not become effective, all unexercised NBBL Options will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the NBBL Share Option Scheme.

Total consideration and confirmation of financial resources

On the basis that the Committed Shareholders elect the Private Holdco Shares Alternative pursuant to the Irrevocable Undertakings and all the other Scheme Shareholders elect the Cash Alternative and that all NBBL Options are cancelled pursuant to the Option Proposal, the total maximum cash consideration payable under the Proposal and the Option Proposal is HK\$1,194,012,807 for 2,000,639,430 Scheme Shares and 2,852,887 NBBL Options, of which HK\$826,739,316 will be payable under the Cash Alternative in respect of 688,949,430 Scheme Shares (excluding the Committed Shares), HK\$367,273,200 will be payable under the cash consideration portion of the Private Holdco Shares Alternative in respect of 1,311,690,000 Committed Shares and HK\$291 will be payable under the Option Proposal to NBBL Optionholders.

On the basis that the Committed Shareholders elect the Private Holdco Shares Alternative pursuant to the Irrevocable Undertakings, that all the outstanding NBBL Options are exercised before the Option Cut-Off Time, resulting in an additional 2,852,887 Scheme Shares at the Record Time, and that all Scheme Shareholders (other than the Committed Shareholders) elect the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$1,197,435,980.40 for 2,003,492,317 Scheme Shares, of which HK\$830,162,780.40 will be payable under the Cash Alternative in respect of 691,802,317 Scheme Shares (excluding the Committed Shares) and HK\$367,273,200 will be payable under the cash consideration portion of the Private Holdco Shares Alternative in respect of 1,311,690,000 Committed Shares.

Bidco will finance the amount payable under the Proposal and the Option Proposal from funds contributed by the Investment Funds to Holdco (via a special purpose company) by way of equity subscription. Holdco will then contribute the funds to Bidco by way of equity subscription and shareholder loan(s). In respect of the amount payable under the Proposal and the Option Proposal that will be financed by the Investment Funds to Holdco and in turn by Holdco to Bidco by way of equity subscription, there will not be any interest, repayment of or security for any liability. In respect of the amount payable under the Proposal and the Option Proposal that will be financed by Holdco to Bidco by way of shareholder loan(s), there will not be any fixed repayment terms in respect of such shareholder loan(s) and the payment of interest, repayment of or security for any liability (contingent or otherwise) of such shareholder loan(s) will not depend to any significant extent on the business of NBBL. As such, whilst technically a shareholder loan of the type mentioned above is a debt, ranking in priority to equity, for all intents and purposes, such shareholder loan is analogous to an equity subscription by a shareholder as a shareholder will only be entitled to repayment of such shareholder loan or redemption of its Bidco Shares (in the case of an equity subscription) at the absolute

LETTER FROM THE NBBL BOARD

discretion of Bidco. Additionally, a letter of credit of HK\$1,255,652,000, which comprises the exact amount required to settle the total maximum cash consideration payable under the Proposal and the Option Proposal and the estimated fees and expenses of the Offeror Group incurred in connection with the Proposal and the Option Proposal, from The Royal Bank of Scotland plc is also available to Bidco for drawdown. Citi, the financial adviser to Bidco, is satisfied that resources are available to Bidco sufficient to implement the Proposal and the Option Proposal.

Investors should be aware of, among other things but not limited to, the following risk factors of holding Holdco Shares:

- **Holdco Shares are illiquid and there is no ready market in Holdco Shares;**
- **Holdco Shares are not listed on any stock exchange and does not benefit from the protections afforded by the Listing Rules;**
- **Holdco Shares are subject to the rights and restrictions set out in the Bye-Laws;**
- **there is no guarantee that any dividend payments will be paid in respect of Holdco Shares;**
- **changes in the business and economic environment could adversely affect operating profits or the value of Holdco's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Holdco's operational risks;**
- **currency risk as a result of NBBL's assets and business operations being across national borders; and**
- **general business risk associated with the skin and beauty industry.**

3. CONDITIONS OF THE PROPOSAL

The Proposal is subject to the fulfilment or waiver, as applicable, of the Conditions as set out in the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 82 to 86 of this document. When the Conditions are fulfilled or waived, as applicable, the Scheme will become effective and binding on Holdco, Bidco, NBBL and all Scheme Shareholders.

Bidco reserves the right (but is in no way obliged) to waive Conditions (h), (i), (j) and (k), either in whole or in respect of any particular matter. All of the Conditions will have to be fulfilled or waived, as applicable, on or before 31 March 2009 (or such later date as Bidco and NBBL may agree in writing and the Grand Court may allow), otherwise the Proposal will lapse.

LETTER FROM THE NBBL BOARD

NBBL Shareholders, NBBL Optionholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and that the Proposal and the Scheme may or may not become effective. You should therefore exercise caution when dealing in NBBL Shares.

4. IMPLEMENTATION AGREEMENT

Bidco and NBBL entered into the Implementation Agreement on 10 November 2008, pursuant to which the parties agreed that Bidco will effect the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of new NBBL Shares to Bidco. If the Scheme becomes effective and the Proposal is completed, it will result in NBBL becoming a wholly-owned subsidiary of Bidco and the listing of NBBL Shares will be withdrawn from the Stock Exchange.

Pursuant to the Implementation Agreement, NBBL has agreed to use its reasonable endeavours to implement the Scheme and has further undertaken to Bidco that it will not (and will procure that each member of the NBBL Group will not) without the prior written consent of Bidco (during the period between the date of the Implementation Agreement and the earlier of the Effective Date and the date of termination of the Implementation Agreement) do, among other things, the following (save for any action required to give effect to the Proposal and otherwise than as contemplated in the Scheme Document or other document required to be published in connection with the Scheme and the Implementation Agreement):

- (a) carry on their respective businesses other than in the ordinary and usual course;
- (b) transfer, assign or sub-license to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of;
- (c) save for the obligations in respect of existing NBBL Options, allot, issue, authorise or propose the issue of any securities or make any change to its share capital;
- (d) recommend, propose, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise;
- (e) merge with any body corporate or acquire or dispose of any assets or authorise, proposed or announce any intention to propose any merger, demerger, acquisition or disposal;
- (f) issue, authorise or propose the issue of any debentures or, save in the ordinary course of business, incur or increase any indebtedness or contingent liability; and

LETTER FROM THE NBBL BOARD

- (g) enter into any contract, arrangement or commitment which is of a long-term, onerous or unusual nature or magnitude which, in any case, is material in the context of the NBBL Group taken as a whole.

Under the terms of the Implementation Agreement, Bidco will be entitled to terminate the Implementation Agreement prior to the Effective Date, by way of service of a written notice to NBBL, following a failure of any of the Conditions (which cannot be waived), or if the recommendation of the NBBL Directors as to whether the NBBL Shareholders should vote to approve the Scheme and the Reduction, respectively, at the Court Meeting and the Extraordinary General Meeting contained in this document is withdrawn prior to the Grand Court's sanction of the Scheme and confirmation of the Reduction. There are no prescribed circumstances under the Implementation Agreement under which such recommendation of the NBBL Directors may be withdrawn. The NBBL Directors may, for example, withdraw any recommendation for the Proposal in the future if it receives a takeover offer from a third party on terms which are more favourable to Scheme Shareholders than the terms of the Proposal and Bidco fails to within five Business Days revise the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable than those offered by the third party.

The Grand Court procedures and other corporate procedures for implementing the Proposal are to be carried out by NBBL in accordance with the terms of the Implementation Agreement, subject to the relevant laws in the Cayman Islands and the Takeovers Code. Should the Implementation Agreement be terminated, the continued implementation of the Proposal is dependent upon NBBL, which means that it is effectively controlled by the NBBL Board, and NBBL's implementation of the Proposal will be subject to the relevant laws in the Cayman Islands and the Takeovers Code and in particular, the NBBL Directors will have regard to their duties as directors of NBBL as to whether or not to proceed with the Proposal.

The termination of the Implementation Agreement will not affect Bidco's obligations under the Takeovers Code in respect of the Proposal and therefore Bidco's obligations under the Takeovers Code in respect of the Proposal (including the obligation under the Takeovers Code for an offeror to proceed with an offer unless the offer is subject to the fulfilment of a specific condition and that condition has not been met) remain unaffected regardless of whether the Implementation Agreement is to be terminated. As disclosed above, the Grand Court procedures and other corporate procedures for implementing the Proposal are carried out by NBBL. Therefore to that extent, Bidco is reliant on NBBL Directors to implement the Proposal in accordance with the relevant laws in the Cayman Islands and the Takeovers Code, and in this regard, NBBL Directors are under a fiduciary duty to act in the best interest of NBBL. This is the case irrespective of whether the Implementation Agreement exists or is terminated. Accordingly, the position of NBBL Shareholders in relation to the Scheme will not be prejudiced in the event that the Implementation Agreement is terminated.

LETTER FROM THE NBBL BOARD

5. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

Bidco has received Irrevocable Undertakings from the Committed Shareholders, pursuant to which the Committed Shareholders have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and to approve the Reduction at the Extraordinary General Meeting in respect of the Committed Shares (which represent approximately 65.56% of the fully diluted issued share capital of NBBL) and elect the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of the Committed Shares. As at the Latest Practicable Date, none of the Committed Shareholders hold any outstanding NBBL Options.

Under the terms of the Irrevocable Undertakings, the obligations of the respective Committed Shareholders are also irrevocably guaranteed by their respective Controlling Parties.

As at the Latest Practicable Date, save as disclosed above, the Bidco Board has confirmed that no other person has irrevocably committed themselves to vote to approve or reject the Scheme.

6. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there were 2,000,639,430 NBBL Shares in issue, and all NBBL Shareholders are entitled to vote at the Court Meeting and at the Extraordinary General Meeting. NBBL Shareholders who are not Disinterested Scheme Shareholders will, in compliance with the Takeovers Code, abstain from voting in the manner referred to in paragraph 3 headed "Conditions of the Proposal" in the Explanatory Statement on pages 82 to 86 of this document. For the avoidance of doubt, Citibank N.A. will be entitled to vote upon receiving instructions from its clients at the Court Meeting in respect of any NBBL Shares held by it as custodian on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of.

Your attention is drawn to paragraph 9 headed "Effects of the Scheme" in the Explanatory Statement on pages 90 to 94 of this document.

7. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Bidco Board is of the view that, on a long-term basis, NBBL Group has strong fundamentals and good market potential and that Bidco can add long-term value to NBBL Group's business by bringing to it CVC's experience in developing companies under private ownership.

The Bidco Board is of the view that the terms of the Proposal are attractive to NBBL Shareholders and that the proposed privatisation of NBBL will be beneficial to NBBL Shareholders in a number of ways.

LETTER FROM THE NBBL BOARD

The Bidco Board is of the view that the Proposal provides an opportunity for NBBL Shareholders to realise their holdings in an illiquid stock in return for cash. In this regard, the Bidco Board notes that the average daily traded volume of NBBL Shares from 2 January 2008 to (i) the Last Trading Day was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue and (ii) the Latest Practicable Date was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue. The Bidco Board is of the view that the Proposal also provides NBBL Shareholders with an opportunity to realise their investment in NBBL for cash during current poor market conditions and allows NBBL Shareholders the opportunity to invest such cash in other investment opportunities that they may consider more attractive. In addition, the Bidco Board is of the view that the Proposal also provides NBBL Shareholders the opportunity to continue to participate in NBBL if desired through the election of the Private Holdco Shares Alternative.

The NBBL Directors (other than members of the Independent Board Committee, which has been formed to advise the Disinterested Scheme Shareholders in connection with the Proposal and the NBBL Optionholders in connection with the Option Proposal, whose views are set out in their letter to the Disinterested Scheme Shareholders on pages 35 to 36 of this document) agree with the Bidco Board's view set out above in this section headed "Reasons for and Benefits of the Proposal".

In addition, the NBBL Board is of the view that economic conditions in PRC are becoming increasingly challenging. According to the National Bureau of Statistics of China, PRC achieved a 9.0% gross domestic product, or GDP, growth in the third quarter of 2008, which was the slowest quarter of economic growth in PRC for the past five years. The World Bank and the International Monetary Fund have lowered their forecasts on PRC's GDP significantly for the years 2009 and 2010 due to an expected worsening global economic environment which may have a direct impact on PRC's export and manufacturing sectors. The NBBL Board is of the view that the effect of the worsening global economic environment on PRC's export and manufacturing levels as well as the declining property and asset prices in PRC are expected to have a negative effect on the wealth of consumers and hence, an adverse effect on consumer spending. By way of example, the World Bank has recently lowered their 2009 GDP forecast for PRC from 9.2% to 7.5%. In light of the above, the NBBL Board is of the view that as the economy weakens, there is a meaningful risk that consumer spending will continue to decline and this in turn may have a negative impact on the overall spa services industry.

The NBBL Board is of the view that it has experienced a slowdown in sales due to the weakening global economic climate. The NBBL Board notes that there has been a lower propensity for customers to spend at the spas operated by the NBBL Group. Due to the increasing pressures seen in the overall PRC and Taiwan economy and in consumer spending as well as the negative growth trends experienced by NBBL Group in recent months, the NBBL Board notes that (i) the turnover of NBBL Group from the PRC and Taiwan (the *Greater China Turnover*) in aggregate for the second half of 2008 decreased by approximately 12% as compared to that of the first half of 2008; (ii) the Greater China Turnover in the month of November 2008 was lower than that of the month of November 2007, which contributed to a lower aggregate Greater China Turnover for the fourth quarter of 2008 as compared to that of the fourth quarter of 2007; and (iii) the growth rate

LETTER FROM THE NBBL BOARD

of the Greater China Turnover for the second half of 2008 compared against the second half of 2007 was lower than the growth rate of the Greater China Turnover for the first half of 2008 compared against the first half of 2007. In addition, the PRC's introduction of the new Unified Enterprise Tax Law (the *New Law*) became effective on 1 January 2008. Prior to the New Law, dividends paid to foreign investors are exempted from withholding tax. Under the New Law, certain NBBL subsidiaries will be subject to 5% to 10% withholding tax on dividends paid to intermediate holding companies incorporated outside the PRC within NBBL Group. As a result, additional tax will be payable in 2009 by NBBL Group in the PRC for dividends declared in respect of the year ending 31 December 2008. Going forward, additional tax will continue to be payable by NBBL Group in the PRC if and when dividends are declared.

As a result of the increasing pressures seen in the overall PRC and Taiwan economy and in consumer spending, the negative growth trends experienced by NBBL in recent months as well as the implementation of the New Law, the NBBL Board is of the view that the Proposal represents a good opportunity for NBBL Shareholders to realise their shareholdings in an increasingly uncertain environment at a fair valuation.

On the basis of the foregoing, the NBBL Directors (other than members of the Independent Board Committee as set out above) have decided to put forward to the NBBL Shareholders for their consideration, and proceed with, the Proposal.

Your attention is drawn to the risk factors of holding Holdco Shares set out in paragraph 2 above headed "Terms of the Proposal" set out in this Letter from the NBBL Board on pages 18 to 25 of this document.

8. BIDCO'S INTENTION REGARDING NBBL

Following implementation of the Proposal, the Offeror Group intends that the NBBL Group will continue to carry on its current business of manufacturing and selling of skin care, beauty and aromatherapeutic products, the provision of skin treatments, beauty and spa services, skin care consulting and beauty training.

The Offeror Group has no plans, in the event the Scheme becomes effective, to (i) make any major changes to the business of NBBL including the redeployment of the assets of the NBBL Group; or (ii) discontinue the employment of the employees of the NBBL Group.

The Bidco Directors have stated that Bidco intends to hold its shares in NBBL following the Effective Date for at least 3 to 5 years. The Bye-Laws also provide that it is the intention of Holdco Shareholders to ensure that Holdco completes a Sale, a Listing or an Asset Sale within five years from 9 November 2008, being the date of the first amendment and restatement of the Bye-Laws, and in the event Listing is not achieved within three years from such date, the Holdco Shareholders will procure that Holdco effects a leveraged recapitalisation by raising new debt to perform a repatriation of capital to Holdco Shareholders.

LETTER FROM THE NBBL BOARD

9. INFORMATION ON NBBL, BIDCO, HOLDCO AND CVC HOLDCO

Your attention is drawn to paragraph 12 headed "Information on NBBL" in the Explanatory Statement on page 101 of this document and paragraph 13 headed "Information of Bidco, Holdco and CVC Holdco" in the Explanatory Statements on pages 101 to 103 of this document. Your attention is also drawn to the "Financial Information on the NBBL Group" set out in Appendix I to this document and the "Property Valuation" set out in Appendix II to this document.

10. OVERSEAS NBBL SHAREHOLDERS AND OVERSEAS NBBL OPTIONHOLDERS

Your attention is drawn to paragraph 19 headed "Overseas NBBL Shareholders and Overseas NBBL Optionholders" in the Explanatory Statements on page 108 of this document.

11. COURT MEETING AND EXTRAORDINARY GENERAL MEETING

In accordance with the direction of the Grand Court, the Court Meeting will be held on 26 February 2009 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The Scheme will be subject to the approval of NBBL Shareholders at the Court Meeting at which NBBL Shareholders who are not Disinterested Scheme Shareholders will, in compliance with the Takeovers Code, abstain from voting in the manner referred to in paragraph 3 headed "Conditions of the Proposal" in the Explanatory Statement on pages 82 to 86 of this document. The resolution will effectively be passed if a majority in number of the Disinterested Scheme Shareholders (present in person or by proxy) representing not less than three-fourths in value of the Disinterested Scheme Shares being voted vote in favour of the resolution. For the avoidance of doubt, Citibank N.A. will be entitled to vote upon receiving instructions from its clients at the Court Meeting in respect of any NBBL Shares held by it as custodian on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of.

In addition, the Scheme will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares. As at the Latest Practicable Date, the Disinterested Scheme Shareholders other than the Offeror Group Companies and persons acting in concert with Bidco held in aggregate 2,000,639,430 NBBL Shares. 10% of the votes attached to all Disinterested Scheme Shares represent 200,063,943 NBBL Shares as at the Latest Practicable Date.

The EGM will be held on 26 February 2009, immediately following the Court Meeting, for the purpose of considering and, if thought fit, passing a special resolution to approve the Reduction resulting from the cancellation of the Scheme Shares, the immediate increase of NBBL's issued share capital to its former level and the application of the credit arising in NBBL's books of account as a result of the Reduction in paying up

LETTER FROM THE NBBL BOARD

in full and issuing to Bidco the same number of new NBBL Shares as is equal to the number of NBBL Shares cancelled. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the NBBL Shareholders present and voting, in person or by proxy, at the EGM. All NBBL Shareholders will be entitled to attend and vote on the special resolution at the EGM.

The Committed Shareholders have pursuant to the Irrevocable Undertakings undertaken to vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction at the Extraordinary General Meeting in respect of the Committed Shares (which represent approximately 65.56% of the fully diluted issued share capital of NBBL).

Notice of the Court Meeting is set out on pages N-1 to N-2 of this document. The Court Meeting will be held on 26 February 2009 at the time specified in the notice of the Court Meeting. A form of proxy for the Court Meeting is enclosed with this document.

Notice of the EGM is set out on pages EGM-1 to EGM-2 of this document. The EGM will be held at 11:30 a.m. or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned on 26 February 2009. A form of proxy for the EGM is enclosed with this document.

Pursuant to the article 81 of the articles of association of NBBL, a poll may be demanded in relation to any resolution put to the vote of the EGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting; or
- (b) by at least five NBBL Shareholders present in person or by proxy and entitled to vote; or
- (c) any NBBL Shareholder or NBBL Shareholders present in person or by proxy or, in the case of an NBBL Shareholder being a corporation, by its duly authorized representative and representing in the aggregate of not less than one-tenth of the total voting rights of all NBBL Shareholders having the right to attend and vote at the meeting; or
- (d) any NBBL Shareholder or NBBL Shareholders present in person or by proxy or, in the case of an NBBL Shareholder being a corporation, by its duly authorized representative and holding NBBL Shares conferring a right to vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all NBBL Shares conferring that right.

In any event, voting at the Court Meeting and at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

LETTER FROM THE NBBL BOARD

12. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in paragraph 23 headed "Action to be taken" in the Explanatory Statement on pages 112 to 115 of this document.

13. RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal as set out in the letter from the Independent Board Committee on pages 35 to 36 of this document.

14. SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with an equivalent number of new NBBL Shares being issued to Bidco) and the share certificates for Scheme Shares will thereafter cease to have effect as evidence of title, and the register of members of NBBL will be updated to reflect the same. Bidco will apply to the Stock Exchange for the withdrawal of the listing of NBBL Shares on the Stock Exchange immediately following the Effective Date. Dealings in NBBL Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Friday, 13 March 2009, and the listing of NBBL Shares on the Stock Exchange is expected to be withdrawn at 9:30 a.m. on Monday, 30 March 2009 pursuant to Rule 6.15(2) of the Listing Rules. NBBL Shareholders will be notified by way of an announcement of the exact date on which the Scheme and the withdrawal of the listing of NBBL Shares on the Stock Exchange will become effective. The Scheme will lapse if it does not become effective on or before 31 March 2009 (or such later date as Bidco and NBBL may agree in writing and the Grand Court may allow), and NBBL Shareholders will be notified by way of an announcement accordingly.

The listing of the NBBL Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

Your attention is also drawn to paragraph 18 headed "Registration, Payment and Despatch of Holdco Share Certificates" in the Explanatory Statement on pages 106 to 107 of this document.

15. TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of NBBL, the Offeror Group, Citi, Somerley and any of their respective directors or associates or any other person involved in the Scheme and the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal. Accordingly, you are asked to read paragraph 20 headed "Taxation" in the Explanatory Statement appearing on page 108 of this document and if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

LETTER FROM THE NBBL BOARD

16. FURTHER INFORMATION

You are urged to read carefully (i) the letter from the Independent Board Committee as set out on pages 35 to 36 of this document, (ii) the letter from Somerley, the independent financial adviser to the Independent Board Committee, as set out on pages 37 to 76 of this document; (iii) the Explanatory Statement as set out on pages 77 to 115 of this document; (iv) the Appendices to the document, including the Scheme as set out on pages I-1 to S-10 of this document; (v) the notice of the Court Meeting as set out on pages N-1 to N-2 of this document; and (vi) the notice of Extraordinary General Meeting as set out on pages EGM-1 to EGM-2 of this document, the proxy form in respect of the Court Meeting as enclosed with this document, the proxy form in respect of the Extraordinary General Meeting as enclosed with this document and the Election Form as enclosed with this document. NBBL Optionholders are urged to read carefully the Option Proposal Letter which will be sent separately to NBBL Optionholders following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and Extraordinary General Meeting, respectively.

Yours faithfully,
For and on behalf of the Board of
Natural Beauty Bio-Technology Limited
Yeh Liang Fei
Independent Non-executive Director



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)

30 January 2009

To the Disinterested Scheme Shareholders and NBBL Optionholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION BY GLOBAL RADIANCE COMPANY LIMITED
OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AND THE PROPOSED CASH OFFER TO CANCEL
ALL OUTSTANDING NBBL OPTIONS**

We refer to the document dated 30 January 2009 jointly issued by NBBL and Bidco in relation to the Proposal (the “Scheme Document”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

On 25 November 2008, the Bidco Board and NBBL Board jointly announced that Bidco and NBBL had entered into the Implementation Agreement, pursuant to which the parties agreed that Bidco will pursue the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of new NBBL Shares to Bidco. If the Proposal is implemented, it will result in NBBL becoming a wholly-owned subsidiary of Bidco and the listing of NBBL on the Stock Exchange will be withdrawn. The Bidco Board and the NBBL Board also announced that Bidco would make a cash offer to NBBL Optionholders to cancel their NBBL Options. The Option Proposal is conditional upon the Scheme becoming effective. Details of the Proposal and the Option Proposal are set out in the “Letter from the NBBL Board” on pages 16 to 34 and the Explanatory Statement on pages 77 to 115 of the Scheme Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

For the purpose of the Proposal and the Option Proposal, we have been appointed by the NBBL Board as the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders and NBBL Optionholders in respect of the Proposal and the Option Proposal. Somerley has been appointed with our approval as our independent financial adviser in respect of the Proposal and the Option Proposal. Details of the advice from Somerley and the principal factors Somerley has taken into consideration in arriving at its recommendation are set out in the "Letter from Somerley" on pages 37 to 76 of the Scheme Document.

We also wish to draw the attention of the Disinterested Scheme Shareholders and NBBL Optionholders to the additional information set out in the Appendices to the Scheme Document.

RECOMMENDATIONS

Having considered the terms of the Proposal and the Option Proposal and taken into account the advice from Somerley, in particular the factors, reasons and recommendations as set out in the letter from Somerley, we consider that the terms of the Proposal and the Option Proposal are fair and reasonable so far as the Disinterested Scheme Shareholders and NBBL Optionholders, respectively, are concerned. Accordingly, we recommend that the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the NBBL Shareholders to vote in favour of the special resolution to approve (a) the Reduction resulting from the cancellation of the Scheme Shares, (b) the immediate increase of NBBL's issued share capital to its former level, and (c) the application of the credit arising in NBBL's books of accounts as a result of the Reduction in paying up in full and issuing to Bidco such number of new NBBL Shares as shall be equal to the number of Scheme Shares cancelled. We further recommend the Disinterested Scheme Shareholders to elect the Cash Alternative. Notwithstanding the advice of Somerley that the Private Holdco Shares Alternative is not fair and reasonable from the point of view of the Disinterested Scheme Shareholders (other than the Committed Shareholders who have already undertaken to elect the Private Holdco Shares Alternative), we remain of the view that the Proposal is fair and reasonable, however we do not recommend that Disinterested Scheme Shareholders elect the Private Holdco Shares Alternative. Although all outstanding NBBL Options are out-of-money, we consider the NBBL Optionholders may consider exercising in full their entitled NBBL Options on or before the Option Cut-Off Time since all NBBL Optionholders will be entitled to a cash bonus in the amount of the total exercise price payable for the exercise upon exercising their entitled NBBL Options.

Yours faithfully,

Independent Board Committee
Mr. Yeh Liang Fei
Mrs. Chen Shieh Shu Chen
Mr. Chen Ching

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

30 January 2009

*To: the Independent Board Committee of
Natural Beauty Bio-Technology Limited*

Dear Sirs,

**PROPOSED PRIVATISATION BY GLOBAL RADIANCE COMPANY LIMITED
OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)
WITH CANCELLATION CONSIDERATION OF EITHER
(I) CASH OF HK\$1.20 FOR EVERY SCHEME SHARE
OR
(II) 0.000047 HOLDCO ORD SHARES AND 0.117868 HOLDCO PREF SHARES
PLUS CASH OF HK\$0.28 FOR EVERY SCHEME SHARE
AND THE PROPOSED CASH OFFER TO CANCEL
ALL OUTSTANDING NBBL OPTIONS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands. Details of the Proposal are contained in the document to the NBBL Shareholders and the NBBL Optionholders dated 30 January 2009 (the “**Scheme Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 10 November 2008, Bidco and NBBL entered into the Implementation Agreement, pursuant to which Bidco will pursue the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands. Following the Effective Date, the listing of the NBBL Shares on the Stock Exchange will be withdrawn, and NBBL will become a wholly-owned subsidiary of Bidco.

LETTER FROM SOMERLEY

The NBBL Board comprised four executive directors and three independent non-executive directors. The Independent Board Committee, comprising all three independent non-executive directors of NBBL, namely Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching, has been constituted to advise the Disinterested Scheme Shareholders in connection with the Proposal and the NBBL Optionholders in connection with the Option Proposal. The Independent Board Committee has approved the appointment of Somerley as the independent financial adviser to the Independent Board Committee in the same regard.

We are not associated or connected with NBBL or Bidco, their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal and the Option Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from NBBL or Bidco, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, the Implementation Agreement, the annual reports of NBBL for each of the five years ended 31 December 2007 and the interim report of NBBL for the six months ended 30 June 2008 (the “**2008 Interim Report**”).

We have also relied on the information and facts supplied, and the opinions expressed, by the NBBL Directors and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the Court Meeting and the EGM. We have also sought and received confirmation from the NBBL Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the NBBL Group, nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Disinterested Scheme Shareholders of approving and/or accepting of the Proposal since these are particular to their individual circumstances. In particular, Disinterested Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM SOMERLEY

PRINCIPAL TERMS OF THE PROPOSAL AND THE OPTION PROPOSAL

In summary, the Proposal and the Option Proposal involve the followings:

- (i) The Scheme Shares will be consideration in exchange for either:
 - (a) **Cash Alternative:** Cash of HK\$1.20 for every Scheme Share; or
 - (b) **Private Holdco Shares Alternative:** 0.000047 Holdco Ord Share(s) and 0.117868 Holdco Pref Share(s), plus cash of HK\$0.28, for every Scheme Share. Fractional Holdco Ord Shares and Holdco Pref Shares will be issued to the Scheme Shareholders if they elect the Private Holdco Shares Alternative.

The Scheme Shareholders may elect either the Cash Alternative or the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not a combination of the two). By default, Scheme Shareholders will receive the cash consideration under the Cash Alternative if they do not make any election, or fail to make a valid election for Private Holdco Shares Alternative in accordance with the Scheme Document.

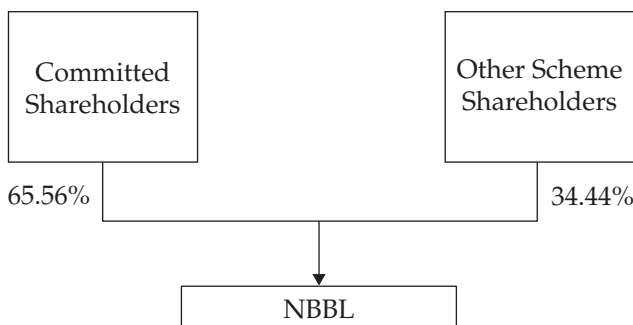
- (ii) The Option Proposal will be made by Bidco during the Option Proposal Offer Period to the NBBL Optionholders to purchase and cancel all their outstanding NBBL Options, whether vested or not. The offer to cancel each NBBL Option will be calculated on a “see-through” basis, so that each NBBL Optionholder will be entitled to receive a price for his/her NBBL Options being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of his/her NBBL Options. As the exercise price of all the NBBL Options is above the Cash Alternative, the offer price under the Option Proposal will be a nominal value of HK\$1.00 per board lot (which comprises 10,000 NBBL Shares) or part board lot of NBBL Shares which would be issued if the relevant NBBL Options were exercised in full.
- (iii) Upon the Scheme becoming effective, (a) all the Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as evidence of title; (b) all NBBL Options will be cancelled pursuant to the Option Proposal or will automatically lapse; and (c) Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Private Holdco Shares Alternative.
- (iv) To finance the Proposal, upon the Scheme becoming effective, CVC Holdco will subscribe 64,166 Holdco Ord Shares and 160,916,746 Holdco Pref Shares at a total subscription price of approximately HK\$1,255.65 million. Any cash injected into Holdco and not utilised for the purpose of the Scheme would be retained by the Holdco Group Company following the implementation of the Scheme.

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Shareholding structures

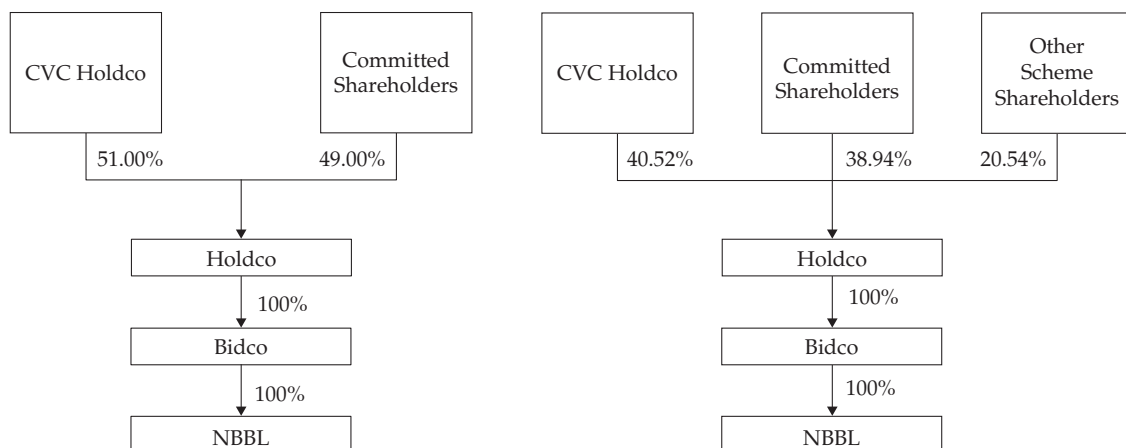
Set out below are charts showing the shareholding structures of NBBL as at the Latest Practicable Date and the Effective Date:

As at the Latest Practicable Date:



As at the Effective Date (assuming only the Committed Shareholders elected the Private Holdco Shares Alternative and other Scheme Shareholders elected the Cash Alternative):

As at the Effective Date (assuming all the Scheme Shareholders elected the Private Holdco Shares Alternative):



Note: The above shareholding structures assume all outstanding NBBL Options are exercised on or before the Option Cut-Off Time.

Conditions of the Proposal

The Proposal will become effective and binding on Holdco, Bidco, NBBL and all Scheme Shareholders subject to fulfilment or waiver, as applicable, of the Conditions on or before 31 March 2009 (or such later date as Bidco and NBBL may agree in writing and the Grand Court may allow), otherwise the Proposal will lapse. Details of the Conditions are set out in paragraph 3 headed “Conditions of the Proposal” in the Explanatory Statement of the Scheme Document. Disinterested Scheme Shareholders are recommended to read the terms and conditions of the Proposal carefully.

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Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around 27 March 2009 and the listing of NBBL Shares on the Stock Exchange will be withdrawn on 30 March 2009.

NBBL Options

As at the Latest Practicable Date, there were 2,852,887 NBBL Options held by NBBL Optionholders which are convertible into 2,852,887 NBBL Shares, of which 639,431 NBBL Options have an exercise price of HK\$1.76 and 2,213,456 NBBL Options have an exercise price of HK\$1.69. In the event that any NBBL Options are exercised after the Latest Practicable Date and NBBL Shares are consequently issued prior to the Record Time, any such NBBL Shares shall participate in the Scheme.

All NBBL Optionholders are entitled to exercise their NBBL Options (whether or not these have otherwise vested) at any time up to the Option Cut-Off Time, i.e. 4:30 p.m. on 6 March 2009, once the Scheme and the Reduction are approved at the Court Meeting and the EGM respectively. If the Scheme is sanctioned by the Grand Court and becomes effective, a cash offer will be made by Bidco at a nominal value of HK\$1.00 per board lot (which comprises 10,000 NBBL Shares) or part board lot of NBBL Shares which would be issued if the relevant NBBL Options were exercised in full.

Further details of the procedures for exercising the NBBL Options by the NBBL Optionholders and accepting the Option Proposal are set out in the Letter from the NBBL Board and the Explanatory Statement in the Scheme Document.

As set out in the Letter from the Board, it is a term of grant of the NBBL Options that, upon the exercise of such options (including any part thereof), NBBL will as an additional employee incentive pay the relevant NBBL Optionholder a cash bonus in the amount of the total exercise price payable for the exercise. NBBL Optionholders are required to use any such cash bonus towards payment of the exercise price of the relevant NBBL Options. In other words, all NBBL Optionholders would receive the NBBL Shares issued pursuant to the exercise of their entitled NBBL Options free of charge if they elect to exercise their NBBL Options. Since all outstanding NBBL Options will become exercisable (whether or not these have otherwise vested) if the Scheme and the Reduction are approved at the Court Meeting and the EGM respectively, and the NBBL Optionholders can obtain the NBBL Shares effectively at no cost, we consider all NBBL Optionholders will exercise in full their entitled NBBL Options on or before the Option Cut-Off Time. As such, our analyses in this letter, in particular the analysis of shareholding dilution, are based on the assumption that all NBBL Optionholders would exercise the outstanding NBBL Options on or before the Option Cut-Off Time.

Irrevocable Undertakings from the Committed Shareholders

Bidco has received Irrevocable Undertakings from the Committed Shareholders, pursuant to which the Committed Shareholders have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and to approve the Reduction at the Extraordinary General Meeting in respect of the Committed Shares and elect the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of the Committed Shares.

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The Committed Shareholders hold in total approximately 65.56% of the total number of NBBL Shares in issue as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed above, the Bidco Board has confirmed that no other person has irrevocably committed themselves to vote to approve or reject the Scheme.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Option Proposal, we have taken into account the following principal factors and reasons:

1. Reasons for and benefits of the Proposal to the NBBL Shareholders

As set out in the Explanatory Statement, the Bidco Board is of the view that the Proposal provides an opportunity for NBBL Shareholders to realise their holdings in an illiquid stock in return for cash. In this regard, the Bidco Board notes that the average daily traded volume of NBBL Shares from 2 January 2008 to (i) the Last Trading Day was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue; and (ii) the Latest Practicable Date was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue. The Bidco Board is of the view that the Proposal also provides NBBL Shareholders with an opportunity to realise their investment in NBBL for cash during current poor market conditions and allows NBBL Shareholders the opportunity to invest such cash in other investment opportunities that they may consider more attractive. In addition, the Bidco Board is of the view that the Proposal also provides NBBL Shareholders the opportunity to continue to participate in NBBL if so desired through the election of the Private Holdco Shares Alternative.

The Bidco Board is of the view that, on a long-term basis, NBBL Group has strong fundamentals and good market potential and that Bidco can add long-term value to NBBL Group's business by bringing to it CVC's experience in developing companies under private ownership.

In addition, as set out in the Letter from the NBBL Board, the NBBL Board is of the view that economic conditions in PRC are becoming increasingly challenging. According to the National Bureau of Statistics of China (the "NBS"), PRC achieved a 9.0% gross domestic product, or GDP, growth in the third quarter of 2008, which was the slowest quarter of economic growth in PRC for the past five years. The World Bank and the International Monetary Fund (the "IMF") have lowered their forecasts on PRC's GDP significantly for the years 2009 and 2010 due to an expected worsening global economic environment which may have a direct impact on PRC's export and manufacturing sectors. The NBBL Board is of the view that the effect of the worsening global economic environment on PRC's export and manufacturing levels as well as the declining property and asset prices in PRC are expected to have a negative effect on the wealth of consumers and hence, an adverse effect on consumer spending. By way of example, the World Bank has recently lowered their 2009 GDP forecast for PRC from 9.2% to 7.5%. In light of the above, the NBBL Board

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is of the view that as the economy weakens, there is a meaningful risk that consumer spending will continue to decline and this in turn may have a negative impact on the overall spa services industry.

The NBBL Board is of the view that it has experienced a slowdown in sales due to the weakening global economic climate. The NBBL Board notes that there has been a lower propensity for customers to spend at the spas operated by the NBBL Group. Due to the increasing pressures seen in the overall PRC and Taiwan economy and in consumer spending as well as the negative growth trends experienced by NBBL Group in recent months, the NBBL Board note that (i) the turnover of NBBL Group from the PRC and Taiwan (the “**Greater China Turnover**”) in aggregate for the second half of 2008 decreased by approximately 12% as compared to that of the first half of 2008; (ii) the Greater China Turnover in November 2008 was lower than that of the month of November 2007, which contributed to a lower aggregate Greater China Turnover for the fourth quarter of 2008 as compared to that of the fourth quarter of 2007; and (iii) the growth rate of Greater China Turnover for the second half of 2008 compared against the second half of 2007 was lower than the growth rate of the Greater China Turnover for the first half of 2008 compared against the first half of 2007. In addition, the PRC’s introduction of the new Unified Enterprise Tax Law (the “**New Law**”) became effective on 1 January 2008. Prior to the New Law, dividends paid to foreign investors are exempted from withholding tax. Under the New Law, certain NBBL subsidiaries will be subject to 5% to 10% withholding tax on dividends paid to intermediate holding companies incorporated outside the PRC within NBBL Group. As a result, additional tax will be payable in 2009 by NBBL Group in the PRC for dividends declared in respect of the year ending 31 December 2008. Going forward, additional tax will continue to be payable by NBBL Group in the PRC if and when dividends are declared.

As a result of the increasing pressures seen in the overall PRC and Taiwan economy and on consumer spending, the negative growth trends experienced by NBBL in recent months as well as the implementation of the New Law, the NBBL Board is of the view that the Proposal represents a good opportunity for NBBL Shareholders to realise their shareholdings during an increasingly uncertain environment at a fair valuation.

The NBBL Directors (other than members of the Independent Board Committee) agree with the Bidco Board’s view set out above. On the basis of the foregoing, the NBBL Directors (other than members of the Independent Board Committee) have decided to put forward to the Scheme Shareholders for their consideration, and proceed with, the Proposal.

Having considered the recent market conditions and the information as discussed in the paragraph 2(c) headed “Prospects of the NBBL Group” below, we concur with the NBBL Directors that the economic conditions of the PRC and Taiwan are challenging.

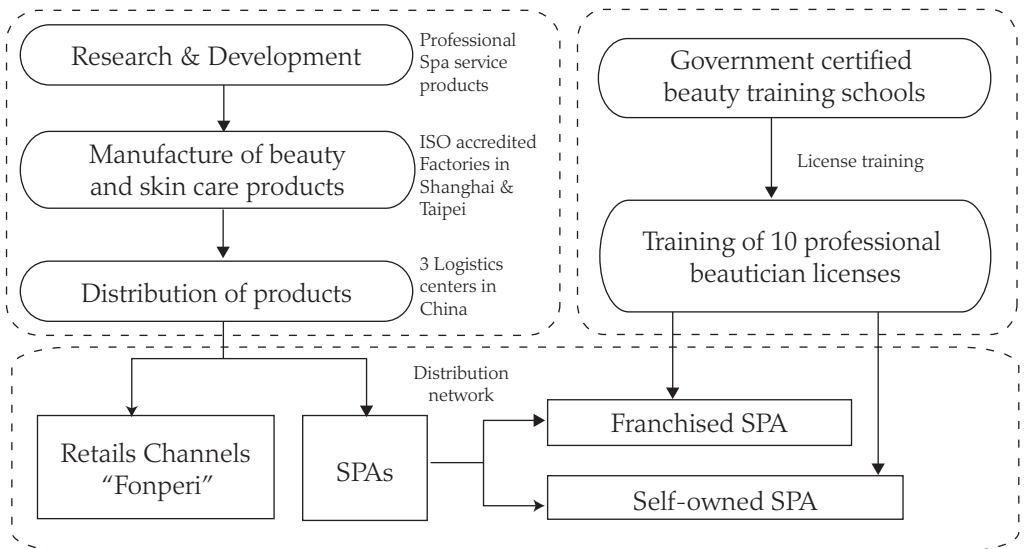
We have also discussed with the NBBL Directors and confirmed that, save for the Proposal, NBBL has not received in recent months any other proposal in relation to the privatisation of NBBL.

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2. Information on the NBBL Group and the Offeror Group Companies

(a) Business of the NBBL Group

The NBBL Group is principally engaged in the manufacture and sale of skin care products, beauty products, aromatherapeutic products, colour make up and health supplements, sold under the “Natural Beauty” (自然美), “NB” and “Fonperi” brand names. Set out below is a chart demonstrating the business model of the NBBL Group:



As set out above, the business of the NBBL Group can be divided into three main areas, namely (i) research, development and manufacturing; (ii) sales of products under its own brand names through retail channels in Taiwan, and self-owned spas and franchised spas; and (iii) provision of training services.

In addition, the NBBL Group’s growth strategy is focused on increasing sales through developing new products, relabeling existing products and expanding its distribution network.

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(b) *Financial information on the NBBL Group*

(i) **Financial results**

Set out below is certain key financial information on the NBBL Group for the five years ended 31 December 2007 and for the six months ended 30 June 2007 and 2008 respectively:

	For the six months ended 30 June		For the year ended 31 December				
	2008	2007	2007	2006	2005	2004	2003
	HK\$(million) (unaudited)	HK\$(million) (unaudited)	HK\$(million) (audited)	HK\$(million) (audited)	HK\$(million) (audited)	HK\$(million) (audited)	HK\$(million) (audited)
Turnover	315.7	193.2	450.1	363.7	357.9	358.1	320.1
– Product sales	307.8	182.0	430.4	334.6	322.8	324.7	296.6
– Service	7.6	9.1	16.9	24.5	29.8	28.3	18.7
– Others	0.3	2.1	2.8	4.6	5.3	5.1	4.8
Gross profit	265.0	161.9	372.6	295.0	284.6	275.9	258.9
<i>Gross profit margin</i>	83.9%	83.8%	82.8%	81.1%	79.5%	77.0%	80.9%
Profit before taxation	168.3	95.5	208.0	174.5	119.8	99.1	83.5
Profit attributable to the NBBL Shareholders	149.7	74.3	178.7	123.2	81.1	63.3	54.1
<i>Net profit margin</i>	47.5%	38.5%	39.7%	33.9%	22.7%	17.7%	16.9%
Earnings per NBBL Share (Hong Kong cents)	7.5	3.7	8.9	6.2	4.1	3.2	2.7
Dividend per NBBL Share (Hong Kong cents)	5.00	5.00	15.00	6.25	3.30	2.50	2.10
<i>Dividend payout ratio</i>	66.7%	135.1%	168.5%	100.8%	80.5%	78.1%	77.8%

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As set out above, between 2003 and 2007, the NBBL Group demonstrated sales growth at a compound annual growth rate of approximately 8.9%. This increase was mainly due to (i) improvement in product image and the introduction of a number of new distinct products; and (ii) the opening of new franchised spas. Further, NBBL Group has benefited from the overall robust economic growth in the PRC in the past few years.

The turnover for the six months ended 30 June 2008 increased significantly compared with that of the corresponding period in 2007. As disclosed in the 2008 Interim Report and discussed with NBBL, the increase was mainly due to (i) the introduction of 36 new products during the period under review; (ii) re-labelling 427 existing products to enhance the product image and decrease costs; and (iii) provision of free intensive training to franchisees (in particular, by way of video conferencing) so as to improve service quality and sales skills which in turn increased product sales.

Revenue from sales of goods is recognised when goods are delivered and title has passed. For sales of products through franchised spas, revenue is recognised when the products are delivered to the franchised spas. Service income is insignificant as service charges received by franchisees are not income of the NBBL Group and training provided to franchisees is free-of-charge.

Gross profit margin also increased steadily during the period under review. As set out in the respective annual reports and the 2008 Interim Report, this was due to an increasing proportion of sales of products with higher profit margins.

The increase in net profit from HK\$54.1 million for 2003 to HK\$123.2 million for 2006 was mainly due to both increases in turnover and profit margins as a result of a lower proportion of distribution and administrative expenses. The net profit for 2007 further increased to HK\$178.7 million, which was mainly attributable to high turnover growth as well as the utilisation of the first two-year exemption followed by three-year half deduction profit tax holiday (2 + 3 tax holiday) by a major PRC subsidiary. The aforesaid factors also positively impacted on the reported net profit for the six months ended 30 June 2008.

As set out in the table above, the full year dividend payout ratio of NBBL has remained over 75% between 2003 and 2007. It should be noted however that the high dividend payout for 2007 was mainly due to the one-off distribution of the cash proceeds from the disposal of an investment property in 2007.

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(ii) Financial position

	As at		As at 31 December			
	30 June 2008	2007	2006	2005	2004	2003
	HK\$(million)	HK\$(million)	HK\$(million)	HK\$(million)	HK\$(million)	HK\$(million)
	(unaudited)	(audited)	(audited)	(audited)	(audited and restated)	(audited)
Non-current assets						
Property, plant and equipment	230.8	218.0	173.5	178.7	183.4	206.9
Leasehold land payment	10.0	9.5	9.1	9.0	9.3	-
Goodwill	25.7	24.6	23.2	13.9	16.8	23.6
Investment properties	4.9	4.5	162.2	159.7	160.5	145.7
Other non-current assets	16.5	16.7	17.0	13.0	19.4	33.9
	<u>287.9</u>	<u>273.3</u>	<u>385.0</u>	<u>374.3</u>	<u>389.4</u>	<u>410.1</u>
Current assets						
Bank balances and cash	710.4	588.7	356.2	338.7	235.9	170.3
Other current assets	232.1	170.3	256.5	224.5	274.9	261.0
	<u>942.5</u>	<u>759.0</u>	<u>612.7</u>	<u>563.2</u>	<u>510.8</u>	<u>431.3</u>
Total liabilities	<u>322.0</u>	<u>116.7</u>	<u>118.5</u>	<u>117.2</u>	<u>95.6</u>	<u>80.8</u>
Net assets	<u>908.4</u>	<u>915.6</u>	<u>879.2</u>	<u>820.3</u>	<u>804.6</u>	<u>760.6</u>
NBBL Shareholders' equity	<u>901.9</u>	<u>909.6</u>	<u>878.8</u>	<u>813.5</u>	<u>795.0</u>	<u>750.4</u>
Minority interests	<u>6.5</u>	<u>6.0</u>	<u>0.4</u>	<u>6.8</u>	<u>9.7</u>	<u>10.2</u>
Total equities	<u>908.4</u>	<u>915.6</u>	<u>879.2</u>	<u>820.3</u>	<u>804.6</u>	<u>760.6</u>
NBBL Shareholders' equity per NBBL Share (HK\$)	<u>0.4510</u>	<u>0.4548</u>	<u>0.4394</u>	<u>0.4068</u>	<u>0.3975</u>	<u>0.3752</u>

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(A) Property, plant and equipment, and leasehold land payment

Property, plant and equipment mainly comprise buildings, leasehold improvements, plant and machinery, and furniture, fixture and equipment of the NBBL Group's production factory in Shanghai, the PRC. The increase in the balance as at 31 December 2007 primarily represents the construction cost of a factory in the PRC incurred during 2007. The leasehold land payment represents the land portion of the leasehold land and building of the NBBL Group. As set out in the valuation report in Appendix II to the Scheme Document, the valuation of the land and building, including the investment properties, as at 31 December 2008 was appraised at HK\$295.0 million, compared with the net book value of HK\$193.6 million as at 30 June 2008.

(B) Investment properties

Investment properties represent properties held by the NBBL Group for lease. The significant decrease in the balance during the year ended 31 December 2007 was due to the disposal of an investment property located in Taiwan in 2007.

(C) Bank balances and cash

Bank balances and cash have increased over the period under review. The increase in bank balances and cash was principally the net effect of profits generated less the dividend distributed. As at 30 June 2008, bank balances and cash represented approximately 57.7% of total assets.

(D) Other current assets

Other current assets mainly consist of inventories, trade and other receivables, prepaid lease payments, and held-for-trading investments.

(E) Total liabilities

Total liabilities mainly comprise trade and other payables, dividend payable, deferred income, taxation payable and retirement benefits obligations. The NBBL Group did not have any borrowings and has remained substantially debt free in the past few years. The increase in the balance as at 30 June 2008 was mainly due to the accrual of 2007 final dividend of approximately HK\$200 million.

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(c) Prospects of the NBBL Group

As set out in the 2007 annual report of NBBL and the 2008 Interim Report, the PRC remains the NBBL Group's strategic focus in the foreseeable future. For 2007, over 70% of the sales of the NBBL Group were generated from the PRC. The NBBL Group plans to continue to open new spas in the future and introduce new products to increase turnover. Further, the NBBL Group also encourages franchisees who own spas under 120 square meters in area to open new spas or seek better locations with a larger store size.

Regarding operations in Taiwan, which accounted for approximately 28% of sales for 2007, the NBBL Group plans to increase the number of retail points of sale from 1,394 at the end of 2007 to around 4,000 by the end of 2008 to continue to introduce new products. As at 30 June 2008, the number of retail outlets in Taiwan reached 3,903.

However the global financial crisis has significantly weakened both the world and the PRC economies and also led to a significant decline in growth of consumer spending, most notably in the high-end segment where the NBBL Group operates.

According to recent economic statistics released by the NBS, PRC's exports dropped in November 2008 for the first time in seven years, due to declining growth of the global economy. China Daily, the PRC state-run English-language newspaper, reported on 25 November 2008 that the World Bank suggested the contraction of the PRC's exports would adversely affect the domestic consumption given the declining output of the PRC's manufacturing sector which in turn may cause a rising unemployment rate, lower disposable income and weakening consumer confidence.

Furthermore, the most recent inflation indicators are also indicating a significant slowdown in economic growth and weakening demand in the PRC. According to the information provided by the NBS as quoted by China Daily on 11 December 2008, the growth in the consumer price index (the "CPI") in November 2008 was at its lowest rate since January 2007, only increasing by 2.4% year-on-year. In addition, the producer price index showed that wholesale inflation dropped to a 31-month low of 2% year-on-year in November 2008 due to the decrease in commodity prices because of rising inventory and weak demand. If such deflationary trends were to continue, this may also lead to a further contraction in the economy.

As a result of weakening economic indicators in the PRC, in late 2008, the Organisation for Economic Co-operation and Development (the "OECD") reduced their forecast gross domestic product (the "GDP") growth rates for the PRC in 2009 to 8%. Similarly, the IMF and the World Bank reduced their forecast 2009 GDP growth rates in the PRC to 8.5% and 7.5% respectively, after the PRC has achieved double-digit GDP growth in the past years.

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According to the Institute of Economics, Academia Sinica, Taiwan's economy is also facing challenges due to the global financial crisis and weakening exports in Taiwan. In the third quarter of 2008, Taiwan's GDP declined by 1.02%. Further, Taiwan's exports decreased sharply by 23.3% year-on-year in November 2008, in addition to the decline of 8.3% year-on-year seen in October 2008. The CPI inflation decreased from 2.4% year-on-year in October 2008 to 1.9% year-on-year in November 2008, which fell to a seven-year low. The Institute of Economics, Academia Sinica, estimated that GDP growth in the fourth quarter of 2008 would reduce to -2.3% and GDP growth for the whole year of 2008 would decrease to 1.72% (2007: 5.7%). Owing to the rectifications in global economy, the forecasted GDP growth for 2009 is 0.56% which is the lowest since 2002.

Having considered the potential increase in the unemployment rate and the decline of consumer confidence in both the PRC and Taiwan, it is possible that the adverse effects of the global financial crisis will be long lasting and may continue through 2009 or 2010. In addition, the high correlation between individuals' disposable incomes and the demand for high-end goods, such as cosmetic and personal care products, also implies a potentially deteriorating outlook for the NBBL Group.

We have reviewed the latest management accounts of the NBBL Group and discussed current trading prospects with the management of NBBL. We note that there were the negative growth trends experienced by NBBL Group in the PRC and Taiwan in recent months as set out in the paragraph 1 headed "Reasons for and benefits of the Proposal to the NBBL Shareholders" above. More importantly, as set out in above, the Greater China Turnover in the second half of 2008 was lower than that of the first half 2008. This is the first time that such turnover in the second half is lower than that in the first half happened for the NBBL Group since 2002.

All in all, the NBBL Directors considered that the NBBL Group will face a challenging operating environment ahead. Given the increasing pressures seen in the overall economy and in consumer spending reflected in the recent slowdown in growth of the NBBL Group, we concur with the view of the NBBL Directors that the impressive growths achieved by the NBBL Group in 2007 and in particular the first half of 2008 have not been sustained in the second half of 2008.

(d) Intention of Bidco regarding NBBL

As discussed with the NBBL Directors, we understand that the NBBL Group will continue its existing business model and implement the business plan as mentioned above regardless of the outcome of the Proposal.

As set out in the Explanatory Statement, following the implementation of the Proposal, the Offeror Group intends that the NBBL Group will continue to carry on its current business of manufacturing and selling skin care, beauty

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and aromatherapeutic products, the provision of skin treatments, beauty and spa services, skin care consulting and beauty training. The Offeror Group has no plans, in the event the Scheme becomes effective, to (i) make any major changes to the business of NBBL, including the redeployment of the assets of the NBBL Group; or (ii) discontinue the employment of the employees of the NBBL Group. Bidco intends to hold its shares in NBBL following the Effective Date for at least 3 to 5 years. The Bye-Laws also provide that it is the intention of Holdco Shareholders to ensure that Holdco completes a Sale, a Listing or an Asset Sale within five years from 9 November 2008, being the date of the first amendment and restatement of the Bye-Laws, and in the event Listing is not achieved within three years from such date, the Holdco Shareholders will procure that Holdco effects a leveraged recapitalisation by raising new debt to perform a repatriation of capital to Holdco Shareholders. In accordance with the Bye-Laws (as set out in item (b) of the documents available for inspection) states that the aforesaid leveraged recapitalisation aims to allow for firstly, early redemption of the Holdco Pref Shares and secondly, maximum distributions to Holdco Shareholders and to distribute dividends to the Holdco Shareholders up to an amount as permitted by law.

However, Disinterested Scheme Shareholders who opt for the Private Holdco Shares Alternative would have exchanged their listed NBBL Shares for unlisted shares in Holdco, which among other factors require Holdco Board's approval for transfer. As Holdco is unlisted, the protection offered by the Listing Rules would be lacking and other rights of the holders of the Holdco Shares will also be restricted. In addition, there is no guarantee of payment of dividend or any downside or capital protection for Holdco Shares. Further details of the aforesaid rights to holders of Holdco Shares are set out in paragraph (f) headed "Information on the Holdco Shares" below. In these circumstances, as set out in the section headed "Discussion and analysis" below, we do not consider the Private Holdco Shares Alternative is fair and reasonable from the point of view of the Disinterested Scheme Shareholders.

(e) Information on the Offeror Group Companies

As set out in the Explanatory Statement, Bidco and Holdco are exempted companies incorporated in the Cayman Islands with limited liability on 31 October 2008. CVC Holdco is an exempted company incorporated in the Cayman Islands with limited liability on 19 June 2007. The principal business of each of the Offeror Group Companies is investment holding and, to date, none of the Offeror Group Companies have conducted any business. Each of the Offeror Group Companies is ultimately owned by the Investment Funds of which CVC is an investment adviser.

CVC is a private equity investment advisory company established in 1999 with offices in Hong Kong, Beijing, Seoul, Singapore, Tokyo and Sydney and advises funds managing equity capital of over US\$6.8 billion. CVC advises funds, including the Investment Funds which were established in July and September 2007 and which have a total of approximately US\$4.1 billion

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under management. Currently, funds advised by CVC have invested in over 30 companies with a combined enterprise value of approximately US\$20 billion. The Investment Funds are widely held among a large number of investors comprising pension funds, financial institutions, university endowment funds, funds of funds and private individuals.

As set out in the Explanatory Statement, Holdco Board will have eight directors and its composition will be reflective of the shareholding base of Holdco. As stipulated in the Bye-Laws, each Holdco Shareholder or group of Holdco Shareholders shall have the right to appoint one Holdco director representing 12% of the Holdco Shares in issue that such Holdco Shareholder or group of Holdco Shareholders beneficially holds.

We also note that Holdco has no intention to appoint any independent director to the Holdco Board immediately after the Scheme becomes effective.

Set out below is the shareholding structure of Holdco immediately following implementation of the Proposal and assuming all NBBL Options are exercised on or before the Option Cut-Off Time:

	Immediately following implementation of the Proposal (assuming only the Committed Shareholders elected the Private Holdco Shares Alternative)			Immediately following implementation of the Proposal (assuming all Scheme Shareholders (including the Committed Shareholders) elected the Private Holdco Shares Alternative)		
	<i>Number of Holdco Ord Shares</i>	<i>Number of Holdco Pref Shares</i>	<i>Approximate % of the issued share capital</i>	<i>Number of Holdco Ord Shares</i>	<i>Number of Holdco Pref Shares</i>	<i>Approximate % of the issued share capital</i>
	CVC Holdco	64,166	160,916,746	51.00%	64,166	160,916,746
Committed Shareholders	61,649	154,606,277	49.00%	61,649	154,606,277	38.94%
Other Scheme Shareholders	-	-	0.00%	32,515	81,541,356	20.54%
Total	125,815	315,523,023	100.00%	158,330	397,064,379	100.00%

Notes:

1. As at the Latest Practicable Date, Holdco was wholly owned by CVC Holdco and only one Holdco Ord Share was issued and outstanding.
2. The number of Holdco Ord Shares and Holdco Pref Shares held by CVC Holdco immediately following the implementation of the Proposal and the amount of the issued share capital are calculated based on the exchange rate of HK\$7.80:US\$1.00.

As set out in the table above, Holdco will issue the same number of Holdco Shares to each of CVC Holdco and the Committed Shareholders irrespective of whether Scheme Shareholders (other than the Committed

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Shareholders) elect the Cash Alternative or the Private Holdco Shares Alternative under the Proposal. Accordingly, the Committed Shareholders will suffer from the same degree of dilution in shareholdings as other Scheme Shareholders who elect the Private Holdco Shares Alternative. For illustrative purposes only, the Scheme Shareholders together with the NBBL Optionholders will only hold a maximum of 59.48% interest in the Holdco Shares comparing with the 100% interest in NBBL for the Scheme Shareholders, if all Scheme Shareholders (including the Committed Shareholders) and NBBL Optionholders elect the Private Holdco Shares Alternative. Accordingly, the Scheme Shareholders will subject to a maximum dilution in Holdco of approximately 40.52% assuming all NBBL Options are exercised before the Option Cut-Off Time.

The NBBL Shares to be issued under the outstanding NBBL Options upon full conversion amount to less than 0.15% of the issued share capital of NBBL as at the Latest Practicable Date, therefore any exercise or non-exercise of the outstanding NBBL Options will not have any significant impact in terms of shareholding dilution.

(f) Information on the Holdco Shares

Upon the Effective Date, Holdco will have two classes of issued shares in issue, namely the Holdco Ord Shares and the Holdco Pref Shares. Set out below is a table summarising the rights of a holder of the Holdco Ord Shares and the Holdco Pref Shares:

	Holdco Ord Shares	Holdco Pref Shares
Transferability	Not tradable or transferable without the prior written consent of the Holdco Board	
Dividend	Subject to prior dividend rights of holders of Holdco Pref Shares, Holdco Ord Shares shall be entitled to receive any dividends as may be recommended or declared from time to time by the Holdco Board	Dividends will accrue on a non-cash and non-compounded basis at the rate of 8% per year, based on the issue price of US\$1.00 each. However, the payment of such dividends is dependent on whether such payment is recommended or declared by in the sole discretion of the Holdco Board

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	Holdco Ord Shares	Holdco Pref Shares
Dividend payment	There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Shares	
Capital Protection	No downside capital protection	
Conversion into Holdco Ord Shares	Not applicable	No
Voting rights	The right to one vote per Holdco Ord Share at the Holdco's shareholders meeting	None, unless the business of the meeting includes a resolution (1) for winding up Holdco or (2) affecting, altering or abrogating the rights or privileges or restrictions attached to the Holdco Pref Shares
Redemption rights	Not applicable	The Holdco Pref Shares may be redeemed (subject to the laws of the Cayman Islands) at the election of Holdco, subject to the consent of the holders of a majority of not less than two-thirds of the Holdco Pref Shares in issue and pursuant to the terms of the Bye-Laws and subject to the Companies Law. However, on or immediately before an Exit, Holdco shall (unless a majority of not less than two-thirds of the Holdco Pref Shareholders shall otherwise agree and subject to the Companies Law) redeem all Holdco Pref Shares then in issue

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	Holdco Ord Shares	Holdco Pref Shares
Redemption	Not applicable	The Holdco Pref Share will be redeemed at an amount equal to the aggregate of (i) the par value of such Holdco Pref Shares, together with any amount credited to the share premium account in respect of such Holdco Pref Shares; and (ii) any accrued and unpaid Holdco Pref Share dividends as calculated up to and including the date on which such Holdco Pref Shares are redeemed by Holdco
Liquidation rights	Subject to prior rights of holders of Holdco Pref Shares, holders of Holdco Ord Shares will be entitled to the remaining assets available for distribution in proportion to the number of Holdco Ord Shares he/she holds	Senior in rank to Holdco Ord Shares; each Holdco Pref Shares shall receive firstly the par value (together with any amount credited to the share premium account) and secondly the accrued and unpaid dividends

Scheme Shareholders should be aware that holders of Holdco Ord Share are entitled to one vote per Holdco Ord Share at any Holdco's shareholders meeting. Accordingly, if a Holdco Shareholder holds less than one Holdco Ord Share, then he/she is not entitled to vote in the Holdco's shareholders' meeting even though he/she is entitled to enjoy other rights of being a holder of Holdco Ord Share, such as receiving notice of the Holdco shareholders meeting and receiving dividend (if any) in relation to the Holdco Ord Shares held. For instance, a Scheme Shareholder who is holding one board lot of NBBL Shares i.e. 10,000 NBBL Shares elects the Private Holdco Shares Alternative. He/she will receive 0.47 Holdco Ord Share, 1,178.68 Holdco Pref Shares and cash of HK\$2,800. As this Scheme Shareholder holds less than one Holdco Ord Share, he/she will not be entitled to any vote at the shareholders meeting of Holdco.

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The majority of the Holdco Shares will be issued in the form of Holdco Pref Shares which, as set out in the table above, carry the rights to a dividend of 8% based on the issue price of US\$1.00 for the Holdco Pref Shares, and these dividends would accrue on a non-cash and non-compounded basis. On this basis, the Scheme Shareholders electing the Private Holdco Shares Alternative would be entitled to receive (although with no guarantee of payment) an annual dividend of approximately US\$0.0094 (or HK\$0.074) in respect of 0.117868 Holdco Pref Share(s) which they would receive for every Scheme Share cancelled under the Proposal. Such dividend represents approximately 49% of NBBL's 2007 total dividends (including special dividends) of HK\$0.15 or approximately 102% of NBBL's 2007 ordinary dividends of HK\$0.072. **Scheme Shareholders should also be aware that the payment of dividend of the Holdco Pref Shares is dependent solely on whether such payment is recommended or declared by the Holdco Board. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Pref Shares. There is no dividend policy in respect of the Holdco Pref Shares. The Holdco Pref Shares do not confer any further right of participation in the profits of Holdco.**

Scheme Shareholders should further be aware that neither the Holdco Ord Shares or Holdco Pref Shares offer any guaranteed downside capital protection.

Save for the above and those as disclosed in the Letter from the NBBL Board, Scheme Shareholders should bear in mind the following risk factors of holding Holdco Shares:

- (i) Holdco Shares are illiquid as the Holdco Shares are not listed, transferrable or tradable without the prior consent of the Holdco Board; and
- (ii) Holdco will be an unlisted company and does not benefit from the protections offered by the Listing Rules (for example, the requirement of appointing independent non-executive directors, approval by independent shareholders for certain connected transactions and other protections and sanctions rights offered to minority shareholders).

Disinterested Scheme Shareholders' attention is drawn to the additional information on the rights as a holder for the Holdco Shares as set out in paragraph 6 headed "Share capital of Holdco and capital, dividends & voting rights of Holdco Shares" in the Appendix III to the Scheme Document. Disinterested Scheme Shareholders are also recommended to review the memorandum and articles of association of Holdco (item (b) of the paragraph 15 headed "Documents available for inspection" as set out in the Appendix III to the Scheme Document) which contains, among others, various rights and obligations of a Holdco Shareholder, terms governing the relationship between Holdco Shareholders and Holdco Directors, meeting procedures, etc..

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As set out in Appendix IV to the Scheme Document headed “Estimates of value of Holdco Shares” prepared by Citi, an estimate of the value of a Holdco Ord Share would have been within a range of approximately HK\$6.24 to HK\$7.80. Based on the Private Holdco Shares Alternative, whereby each Scheme Shareholder is entitled to receive 0.000047 Holdco Ord Share, 0.117868 Holdco Pref Share and cash of HK\$0.28 for every Scheme Share, this implies a consideration of approximately HK\$1.02 to HK\$1.20 for every Scheme Share.

We have reviewed and discussed with Citi the methodology used, and the bases and assumptions adopted, for the estimates of value of Holdco Shares as set out in the Appendix IV to the Scheme Document. Citi has separately considered the estimated value of Holdco Ord Shares and Holdco Pref Shares given there are different economic rights of each class of shares. For the purpose of the estimate of the value of the Holdco Pref Shares, as there is no guaranteed dividend payment, it is not practicable to derive a fundamental valuation of the Holdco Pref Shares. Therefore, the value of the Holdco Pref Shares is estimated at the issue price, i.e. HK\$7.80. The estimate of the value of the Holdco Ord Shares is based on the estimated value of the all of the outstanding NBBL Shares plus any cash that may remain in Holdco and Bidco upon implementation of the Proposal less the value of all of the Holdco Pref Shares. The value of all of the outstanding NBBL Shares has been based on the value per NBBL Share under the Cash Alternative of HK\$1.20. Based on the above, the estimate of the value of a Holdco Pref Share or a Holdco Ord Share will be HK\$7.80 before taking into account a marketability discount on the Holdco Shares given their nature as unlisted shares. Citi believes that the assumed marketability discount of 20% is an appropriate discount based on Citi’s own experience. Taking into account such marketability discount, the estimates of the values of the Holdco Shares are in the range of HK\$6.24 to HK\$7.80. The estimate of the value of a Holdco Pref Share or a Holdco Ord Share will remain unchanged regardless of the acceptance level of the Private Holdco Shares Alternative. The methodologies are, in our opinion, a reasonable approach in establishing the estimates of the values of Holdco Shares. As unlisted shares, it is conventional to allow a discount on the estimates of value of the Holdco Shares to reflect their lack of marketability. We are of the view that it is not practicable to accurately estimate such marketability discount and it depends on circumstances. Still, we consider the marketability discount of 20% adopted by Citi in its estimates is within a normal range. More importantly, as mentioned in the section headed “Discussion and analysis” below, given the various limitations on the rights and returns to the holders of the Holdco Shares, we do not consider the Private Holdco Shares Alternative is fair and reasonable. Accordingly, the accuracy of the estimates of the value of Holdco Shares, particularly the marketability discount, adopted by Citi is not a key consideration for our opinion and recommendation.

For further details of methodology, basis, assumptions and computations of the estimates of the value of Holdco Shares, please refer to the Appendix IV to the Scheme Document.

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(g) *Historical price performance of the NBBL Shares*

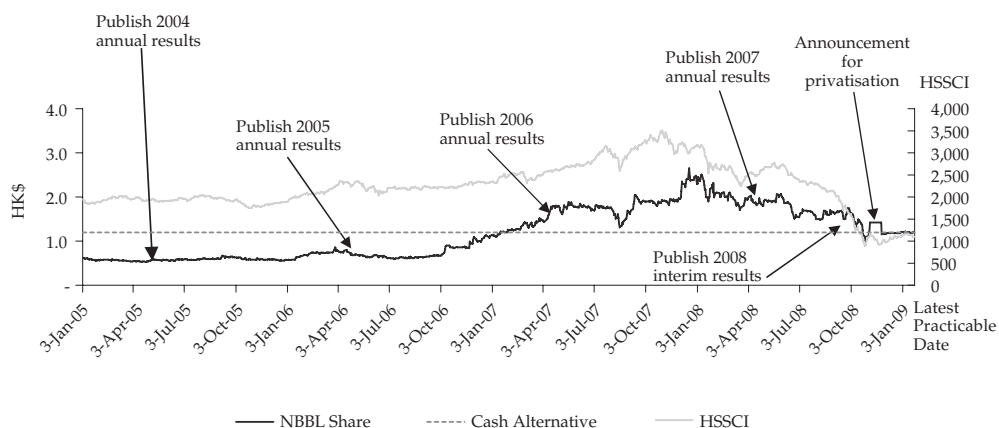
The Cancellation Consideration of HK\$1.20 per Scheme Share under the Cash Alternative represents:

- (i) a discount of approximately 15.49% to the closing price of HK\$1.42 per NBBL Share as quoted on the Stock Exchange as at the Last Trading Day;
- (ii) no premium over or discount to the closing price of HK\$1.20 per NBBL Share as at the Latest Practicable Day;
- (iii) a premium of approximately 9.89% over the volume weighted average closing price (“VWAP”) of approximately HK\$1.092 per NBBL Share for the 10 trading days up to and including 5 November 2008, being Last Trading Day;
- (iv) a premium of approximately 1.78% over the VWAP of approximately HK\$1.179 per NBBL Share for the 20 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 4.61% to the VWAP of approximately HK\$1.258 per NBBL Share from 24 September 2008, being the date of the issue of the 2008 interim results announcement, up to and including the Last Trading Day; and
- (vi) a premium of approximately 166.08% over the unaudited consolidated net asset value attributable to NBBL Shareholders per NBBL Share of approximately HK\$0.451 as at 30 June 2008 as disclosed in NBBL’s unaudited financial results for the six months ended 30 June 2008 published on 24 September 2008.

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Set out below is the movement of the price of the NBBL Shares from 3 January 2005 to the Latest Practicable Date (the “**Relevant Period**”):

NBBL Share price



Source: Bloomberg

As set out in the chart above, the NBBL Share closing price traded below HK\$1.00 during the first half of the Relevant Period. The NBBL Share price started to increase in late 2006 and exceeded the cash consideration under the Cash Alternative of HK\$1.20, for the first time in early 2007. It remained above this value until the market crash in late October 2008, when the NBBL Share closing price dropped to a two-year low of HK\$0.99 on 29 October 2008.

The NBBL Share closing price rebounded to close at HK\$1.21 on 4 November 2008, and closed at HK\$1.42 on 5 November 2008, being the Last Trading Day. This increase of 17.4% as compared with the prior day’s close was the highest single day percentage increase during the Relevant Period. We consider the significant increase of the share price on 5 November 2008 might be driven by market speculation regarding the Proposal. Trading of the NBBL Shares was suspended after the Last Trading Day and resumed on 26 November 2008. NBBL Share price has traded relatively close to the HK\$1.20 level during the period after resumption in trading on 26 November 2008 to the Latest Practicable Date.

The drop in NBBL Share’s closing price since its high in December 2007 was in general consistent with the drop in the Hang Seng Hong Kong Small Cap Index (the “**HSSCI**”) over the relevant time period. However, the percentage decrease in NBBL Share price of approximately 38.0% is relatively lower than the percentage decrease in the HSSCI of approximately 63.0% during the period from the beginning of 2008 to the Last Trading Day.

In general, the cash consideration under the Cash Alternative is close to the average market trading price of the NBBL Shares since the release of the interim results for the six months ended 30 June 2008 on 24 September 2008.

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(h) *Liquidity of the NBBL Shares*

Set out in the table below are the monthly total trading volumes of the NBBL Shares and the percentages of such monthly total trading volumes to the total issued share capital and public float of NBBL during the Relevant Period:

	Total monthly trading volume of the NBBL Shares	Percentage of the total monthly trading volume of the NBBL Shares to the total issued NBBL Shares (Note 1)	Percentage of total monthly trading volume of the NBBL Shares to public float (Note 2)
2005			
January	8,560,000	0.43%	1.71%
February	22,541,003	1.13%	4.51%
March	2,930,000	0.15%	0.59%
April	5,730,000	0.29%	1.15%
May	17,710,000	0.89%	3.54%
June	10,450,000	0.52%	2.09%
July	37,390,000	1.87%	7.48%
August	54,312,000	2.72%	10.86%
September	41,345,000	2.07%	8.27%
October	9,130,000	0.46%	1.83%
November	11,080,000	0.55%	2.22%
December	13,227,000	0.66%	2.65%
2006			
January	25,530,000	1.28%	5.11%
February	24,880,000	1.24%	4.98%
March	26,406,000	1.32%	5.28%
April	8,872,000	0.44%	1.77%
May	6,288,000	0.31%	1.26%
June	13,640,566	0.68%	2.73%
July	72,731,000	3.64%	14.55%
August	6,932,500	0.35%	1.39%
September	51,370,000	2.57%	10.27%
October	233,720,000	11.69%	38.95%
November	55,664,000	2.78%	9.28%
December	49,155,000	2.46%	8.19%

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	Total monthly trading volume of the NBBL Shares	Percentage of the total monthly trading volume of the NBBL Shares to the total issued NBBL Shares (Note 1)	Percentage of total monthly trading volume of the NBBL Shares to public float (Note 2)
2007			
January	40,376,594	2.02%	6.73%
February	40,460,000	2.02%	6.74%
March	44,552,161	2.23%	7.43%
April	18,217,000	0.91%	3.04%
May	38,685,200	1.93%	6.45%
June	13,690,000	0.68%	2.28%
July	13,940,000	0.70%	2.32%
August	15,034,804	0.75%	2.51%
September	28,074,170	1.40%	4.68%
October	22,573,371	1.13%	3.76%
November	126,592,000	6.33%	18.23%
December	29,430,000	1.47%	4.24%
2008			
January	26,661,357	1.33%	3.84%
February	4,924,617	0.25%	0.71%
March	6,249,000	0.31%	0.90%
April	27,952,612	1.40%	4.03%
May	38,975,000	1.95%	5.61%
June	20,480,000	1.02%	2.96%
July	9,296,922	0.46%	1.35%
August	12,450,997	0.62%	1.81%
September	13,399,000	0.67%	1.94%
October	19,081,749	0.95%	2.77%
November	13,817,148	0.69%	2.01%
December	24,057,400	1.20%	3.49%
2009			
From			
1 January 2009			
to the Latest			
Practicable			
Date	3,711,500	0.19%	0.54%

Source: Bloomberg and the Stock Exchange website

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Notes:

1. The calculation is based on the number of NBBL Shares in issue as at the end of each month, being 2,000,000,000 NBBL Shares from January 2005 to June 2008. From July 2008 to the Latest Practicable Date, the calculation is based on 2,000,639,430 NBBL Shares.
2. Based on the number of NBBL Shares in issue as set out in note 1 above excluding the NBBL Shares held by the Committed Shareholders and the NBBL Directors in the corresponding month.

Save for the placements of NBBL Shares by a member of the Committed Shareholders in October 2006 and November 2007, the liquidity of the NBBL Shares was generally thin in 2006 and 2007, even though the NBBL Share price increased rapidly during this period. Trading volume of the NBBL Shares continued to be thin in 2008 which in general corresponded to the declining trading volume of the Hong Kong stock market.

3. Cancellation Consideration analysis

(a) Comparable Companies

The NBBL Group is principally engaged in the manufacture and sale of several types of products, namely, skin care products, beauty products, aromatherapeutic products, colour make up and health supplements. For comparison purpose, we have selected companies listed on the Stock Exchange which (i) have target customers or markets comparable and similar to that of the NBBL Group; (ii) are engaged in sales of cosmetic, skin care and beauty related products and/or provision of related services; and (iii) have market capitalisation of over HK\$100 million as at the Latest Practicable Date.

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Based on these criteria, we set out in the table below six companies which we consider comparable to NBBL (the “**Comparable Companies**”) together with NBBL.

Name	Stock code	Principal activities	Latest financial year end date <i>(Note)</i>	Market capitalisation as at the Latest Practicable Date <i>HK\$ (million)</i>
Sa Sa International Holdings Ltd. (“ Sa Sa ”)	178	Retailing and wholesaling of a wide range of brand name cosmetic products and the provision of beauty and health club services in Hong Kong, Macau, the PRC, Taiwan, Thailand, Singapore and Malaysia	31 March 2008	2,679.6
Water Oasis Group Ltd. (“ Water Oasis ”)	1161	Distribution of branded skin-care products, and operation of retail outlets, spa centres and internet portal in Hong Kong, the PRC, Macau, Taiwan and Singapore	30 September 2008	731.7
Bonjour Holdings Ltd. (“ Bonjour ”)	653	Retailing and wholesaling of beauty and health-care products and the operation of beauty and health salons in Hong Kong and Macau	31 December 2007	512.4

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Name	Stock code	Principal activities	Latest financial year end date (Note)	Market capitalisation as at the Latest Practicable Date
				HK\$ (million)
Global Green Tech Group Ltd. ("Global Green")	274	Manufacturing and sale of household products, industrial products, cosmetics and skincare products and bio-technology products with medical applications, and provision of investments services in Hong Kong and the PRC	31 December 2007	366.6
Modern Beauty Salon Holdings Ltd. ("Modern Beauty")	919	Provision of beauty and healthcare services and sales of skincare products and equipment in Hong Kong and the PRC	31 March 2008	300.3
Nubrand Group Holdings Ltd. ("Nubrand")	835	Sale and distribution of health and beauty products and sale of medical equipment in Hong Kong and the PRC	31 March 2008	223.1
NBBL	157	manufacturing and sale of skin care products, beauty products, aromatherapeutic products, colour make up and health supplements in the PRC, Taiwan, Hong Kong and Malaysia	31 December 2007	2,400.8

Source: Bloomberg and the Stock Exchange website

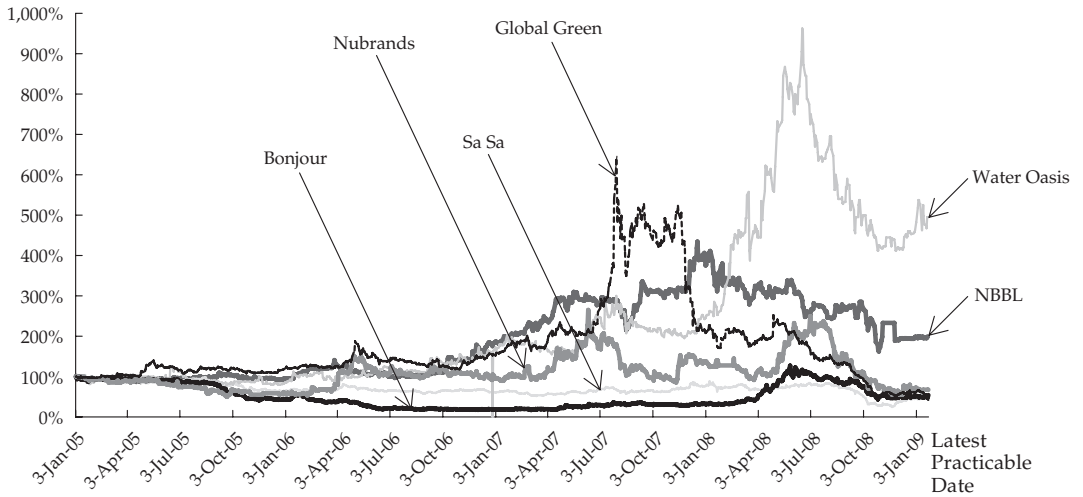
Note: Latest financial year end represents the year end date of the financial year of the most recent published annual results of the respective company.

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(b) Comparison of share price performance

Set out in the chart below are the relative share price performances of NBBL and the Comparable Companies during the Relevant Period:

Share price performance of NBBL and Comparable Companies



Source: Bloomberg

During the Relevant Period, the NBBL Share price largely outperformed the Comparable Companies except for Water Oasis in period since February 2008.

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We have also reviewed the recent price performance of the NBBL Shares as compared to the Comparable Companies:

	Share price as at 4 November 2008	Premium/(Discount) of share price of the Comparable Companies over/(to) the respective VWAPs (Note 1)			
		10 trading days	30 trading days	90 trading days	180 trading days
Sa Sa	1.19	(2.81)%	(19.69)%	(53.59)%	(57.32)%
Water Oasis	1.67	(3.06)%	(11.03)%	(34.12)%	(22.14)%
Global Green	0.35	10.63%	(25.80)%	(56.82)%	(68.81)%
Bonjour	2.20	3.79%	(14.22)%	(39.00)%	(29.18)%
Modern Beauty	1.00	(1.25)%	(21.90)%	(44.94)%	(56.54)%
Nubrand	0.153	(0.79)%	(12.36)%	(62.60)%	(55.60)%
Simple average					
(mean)		(1.09)%	(17.50)%	(48.51)%	(48.27)%
Median		(1.02)%	(16.96)%	(49.27)%	(56.07)%
NBBL	1.21	11.55%	(3.77)%	(17.28)%	(29.78)%
Cancellation Consideration (Note 2)	1.20	10.63%	(4.57)%	(17.96)%	(30.36)%
NBBL Shares price as at the Last Trading Day (Note 1)	1.42	30.91%	12.93%	(2.92)%	(17.60)%

Source: Bloomberg

Notes:

- Share price refers to the closing share price of the respective companies as at 4 November 2008, being the trading day before the Last Trading Day. The reason for using 4 November 2008 as the base is that the substantial single day increase in NBBL Share price on 5 November 2008 may distort the analysis. For reference purpose only, we have also stated the price comparison of the NBBL Shares as at the Last Trading Day in the table above.
- For the purpose of the Proposal, the price performance relative to the VWAP refers to the cash consideration under the Cash Alternative of HK\$1.20 relative to the VWAP of NBBL Shares for the respective periods as shown above. For the purpose of the analysis, VWAP, rather than simple average closing price, has been applied as the trading volume of the NBBL Shares are thin so that any analysis based merely on the simple average closing price may distort the result of such analysis.

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NBBL Shares outperformed the average of the Comparable Companies relative to the respective VWAPs over the 10, 30, 90 and 180 trading days up to and including 4 November 2008, being the date before the Last Trading Day, when compared with the closing price as at 4 November 2008.

The cash consideration under the Cash Alternative of HK\$1.20, which is almost equivalent to the closing price of NBBL Shares on 4 November 2008, also represents a premium of approximately 10.63% over the VWAP of the NBBL Shares over the 10 trading days up to and including 4 November 2008. Although the cash consideration under the Cash Alternative represents a discount of approximately 4.57%, 17.96% and 30.36% to the respective VWAP of the NBBL Shares over the 30, 90 and 180 trading days up to and including 4 November 2008, such discounts are smaller than the average of the respective discounts of the Comparable Companies of approximately 17.50%, 48.51% and 48.27% and also the median of the respective discounts of the Comparable Companies of approximately 16.96%, 49.27% and 56.07% to the respective average closing prices over the 30, 90 and 180 trading days up to and including 4 November 2008.

We therefore consider the cash consideration under the Cash Alternative provides a relative premium as compared to the Comparable Companies in the sense that the discounts to recent trading prices of the NBBL Shares represented by the cash consideration under the Cash Alternative are less than the averages of the Comparable Companies.

(c) *Comparison of trading volume*

Set out in the table below is a comparison of liquidity of the NBBL Shares, the shares of the Comparable Companies:

Company	Average monthly trading volume as a percentage of the total number of outstanding shares <i>(Note)</i>
Sa Sa	3.0%
Water Oasis	2.3%
Bonjour	9.3%
Global Green	12.7%
Modern Beauty	2.1%
Nubrand	3.8%
Simple average (mean)	5.5%
Median	3.4%
Maximum	12.7%
Minimum	2.1%
NBBL	0.9%

Source: Bloomberg and Stock Exchange website

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Note: The percentage of monthly trading volume to the total number of the outstanding shares above are calculated based on the average monthly trading volume of the shares of the Comparable Companies and NBBL from 1 January 2008 to the Latest Practicable Date divided by the total number of outstanding shares of the respective company as at the Latest Practicable Date.

As shown in the table above, the monthly trading volume of the NBBL Shares was significantly thinner as compared to that of the Comparable Companies. The average trading volume as a percentage of the total number of outstanding shares of NBBL is lower than both the average and the median of that of the Comparable Companies.

Given the relatively thin trading volume of the NBBL Shares, it may be difficult for NBBL Shareholders with significant holdings to realise all or a substantial portion of their investment in NBBL in the market without creating pressure on the market price of the NBBL Shares. In this regard, we concur with the NBBL Directors' view that the Proposal provides a guaranteed cash exit opportunity for NBBL Shareholders to realise their holdings in a relatively illiquid stock.

(d) Comparison of price earnings multiple ("PE")

NBBL distributed a substantial portion of its earnings in the past and is substantially debt free. Net asset value per NBBL Share almost remain constant at approximately HK\$0.45 as at 30 June 2008 and 31 December 2007 yet considerable growths in sales and profit have been achieved. We therefore consider PE is an appropriate method to value NBBL. Set out below is the historical PE of the Comparable Companies based on the closing price as at the Latest Practicable Date:

Company	Closing price per share as at the Latest Practicable Date (HK\$)	PE (times) based on earnings of the latest financial year (Note 1)
Sa Sa	1.940	9.70
Water Oasis	1.980	10.27
Bonjour	2.260	7.19
Global Green	0.275	1.18
Modern Beauty	0.415	1.32
Nubrand	0.135	Not applicable (Note 2)
Simple average (mean)		5.93
Median		7.19
Maximum		10.27
Minimum		1.18
Cancellation Consideration (Note 3)		13.43

Source: Bloomberg, Stock Exchange website and the respective Comparable Companies' annual reports

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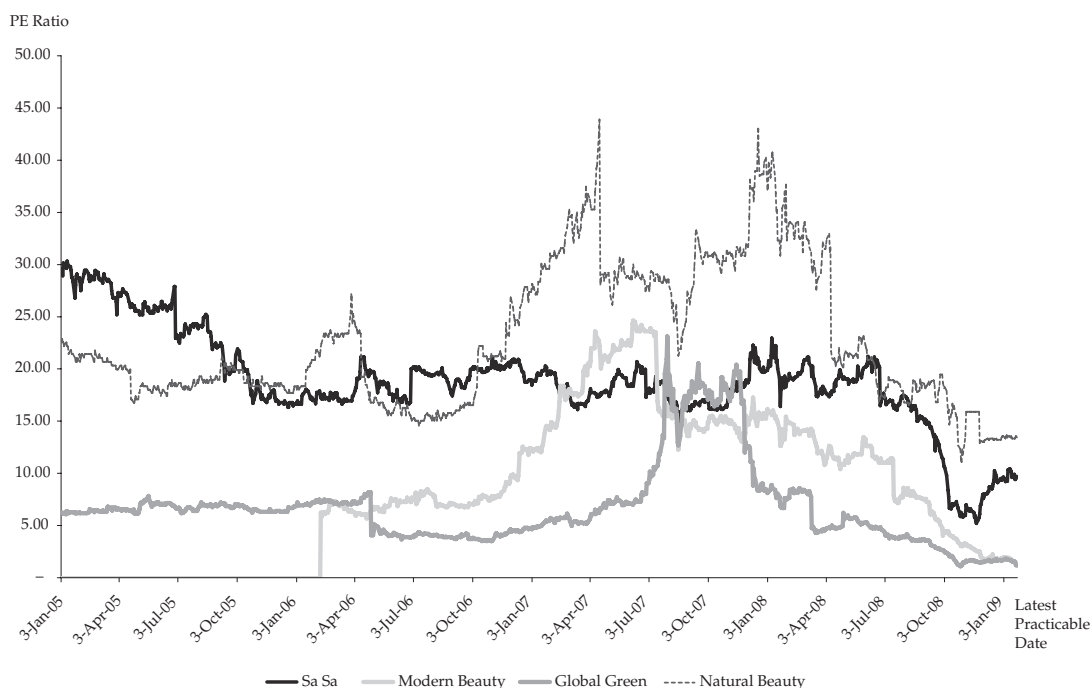
Notes:

1. The computations are calculated based on (i) the audited earnings of the Comparable Companies in their respective latest published annual results; and (ii) the respective market capitalisation of the Comparable Companies based on closing price of the shares of the Comparable Companies as at the Latest Practicable Date.
2. Nubrand's was loss-making in its latest financial year.
3. Based on the cash consideration under the Cash Alternative of HK\$1.20 per Scheme Share.

Our analyses on the PE are principally based on the latest audited earnings of NBBL for the year ended 31 December 2007 and the respective latest audited financial results of the Comparable Companies.

As shown in the table above, the PE of the Comparable Companies ranges from approximately 1.18 times to approximately 10.27 times with an average of approximately 5.93 times and a median of approximately 7.19 times. The implied PE of NBBL based on the cash consideration under the Cash Alternative of HK\$1.20 is approximately 13.43 times, representing a significant premium of approximately 126.5% and 86.8% over the simple average and the median of the Comparable Companies respectively, and it is also above the upper end of the range of the PE of the Comparable Companies.

In addition, we set out in the chart below the historical PE of NBBL Shares and the Comparable Companies shares during the Relevant Period:



Source: Bloomberg

LETTER FROM SOMERLEY

Notes:

1. The PE of Water Oasis during the period from January 2005 to January 2006, which was higher than 65 times, and the PE of Bonjour during the period from May 2007 to May 2008, which ranged from 44 to 160 times, are considered not meaningful for the above analysis and therefore are not presented in the chart above. Nubrand was loss-making in the Relevant Period and therefore no PE for Nubrand is presented in the chart above.
2. The PE are calculated based on the audited earnings per share of the relevant companies in the respective latest published annual results announcement and the closing price of the shares in the respective companies as at the relevant date.

As shown in the chart above, the PE of the NBBL Shares were in general higher than those of the Comparable Companies during most of the time in the Relevant Period.

NBBL recorded a very significant growth in net profit for the first half of 2008. Profit attributable to NBBL Shareholders increased to approximately HK\$149.7 million, representing an increase of approximately 101.5% as compared to the first half of 2007. NBBL Directors have not provided a formal profit forecast/estimate of NBBL for the year ended 31 December 2008 but the operating environment for the second half of 2008 has become more challenging and the sales growth of the NBBL Group in the PRC and Taiwan in the second half of 2008 has been adversely affected as discussed earlier.

We therefore consider the implied PE of NBBL based on the cash consideration under the Cash Alternative of HK\$1.20 is high as compared to those of the Comparable Companies which are engaged in similar business or with target customers or markets comparable and similar to that of the NBBL Group.

LETTER FROM SOMERLEY

(e) *Comparison of dividend yield*

Set out in the table below is an analysis on dividend yields of the NBBL Shares and the shares of the Comparable Companies:

Company	Dividend yield (Note 1)	Total dividend yield (Note 2)
Sa Sa	4.1%	10.8%
Water Oasis	8.8%	10.9%
Bonjour	17.8%	18.9%
Global Green (Note 3)	Not applicable	Not applicable
Modern Beauty	31.6%	31.6%
Nubrands (Note 3)	Not applicable	Not applicable
Simple average (mean)	15.6%	18.0%
Median	13.3%	14.9%
Maximum	31.6%	31.6%
Minimum	4.1%	10.8%
 Cancellation Consideration	 7.7%	 12.5%

Source: Bloomberg and the Stock Exchange website

Notes:

1. The dividend yield represents the total dividend, but excluding special dividend (if any), declared by the Comparable Companies or NBBL in the past twelve months divided by the share price of the Comparable Companies as at the Latest Practicable Date or the value of the cash consideration under the Cash Alternative of HK\$1.20 respectively.
2. The total dividend yield represents the total dividend, including special dividend per share (if any), declared by the Comparable Companies or NBBL in the past twelve months divided by the share price of the Comparable Companies as at the Latest Practicable Date or the value of the cash consideration under the Cash Alternative of HK\$1.20 respectively.
3. Global Green and Nubrands have not declared any dividends in their latest financial year.

As illustrated above, the implied dividend yields of NBBL based on the cash consideration under the Cash Alternative of HK\$1.20 is 7.7% (excluding special dividend) and 12.5% including special dividend respectively. These yields are lower than the average and the median of that of the Comparable Companies.

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(f) *Comparison with privatisation precedents in Hong Kong*

We have also compared the Proposal to other privatisation proposals in Hong Kong.

Set out in the table below are all privatisation precedents involving companies listed on the Stock Exchange in Hong Kong announced since 1 January 2007 and up to the Latest Practicable Date.

First announcement date	Company	Stock code	Offer or cancellation price	Premium/(Discount) of offer or cancellation price over/(to) the share price of the relevant company prior to announcement of privatisation (Note 1)			Result
				10 days VWAP	20 days VWAP	30 days VWAP	
13 February 2007	Asia Satellite Telecommunications Holdings Limited	1135	18.30	30.76%	31.45%	31.53%	Failed (Note 2)
9 March 2007	Tom Online Inc.	8282	1.52	21.99%	15.41%	13.10%	Successful
19 April 2007	Shimao International Holdings Ltd	649	1.05	49.57%	48.10%	46.24%	Successful
14 June 2007	Chia Hsin Cement China Holdings Corporation (Note 3)	699	2.26	7.88%	11.33%	17.65%	Successful
7 December 2007	Lei Shing Hong Limited	238	10.00	(0.35)%	(0.18)%	1.99%	Successful
13 February 2008	Pacific Century Premium Developments Limited	432	2.85	27.46%	24.56%	20.92%	Failed
28 February 2008	Mirabell International Holdings Limited	1179	6.00	13.31%	15.21%	19.05%	Successful
2 June 2008	China Netcom Group Corporation (Hong Kong) Limited (Note 3)	906	27.87	11.20%	12.76%	15.51%	Successful
10 June 2008	CITIC International Financial Holdings Limited (Notes 3 and 4)	183	7.50	34.38%	37.29%	39.61%	Successful
4 November 2008	PCCW Limited (Note 4)	8	4.50	53.48%	34.45%	27.59%	Pending
3 December 2008	GST Holdings Limited	416	3.38	87.88%	98.71%	54.72%	Pending
22 December 2008	Shaw Brothers (Hong Kong) Limited	80	13.35	67.67%	71.11%	67.48%	Pending
Simple average (mean)				33.77%	33.35%	29.58%	
Median				29.11%	28.00%	24.25%	
25 November 2008	NBBL	157	1.20	9.89%	1.78%	(4.8)%	

LETTER FROM SOMERLEY

Notes:

1. 10 days VWAP, 20 days VWAP and 30 days VWAP represent the VWAP of the respective company immediately before the announcement of privatisation for 10, 20 and 30 trading days respectively.
2. The privatisation of Asia Satellite Telecommunications Holdings Limited failed as the Department of State of the United States did not approve to implement the proposed privatisation, which is one of the conditions precedents to for the privatisation proposal.
3. The offer in the privatisation proposal of the respective company consisted of share exchange offer or cash plus share exchange offer. The computation above was based on, among other things, the closing price of the respective shares to be exchanged before the initial announcement of the privatisation proposal.
4. The offer price of the privatisation proposal of respective company was revised upwards after the initial announcement for privatisation. The computation above was based on the revised offer price.
5. The selection criteria for the above privatisation precedents include all privatisation proposals (i) by way of scheme of arrangement; or (ii) by way of voluntary general offer with acceptance condition of at least 90% and intention to exercise compulsory acquisition if such offer becomes unconditional. As such, the privatisation of BALtrans Holdings Limited which was privatised by way of voluntary general offer with acceptance condition of at least 50% only was not included.

As set out above, the premium offered by the Cash Alternative over the recent NBBL Share price was not substantial as compared with other privatisation proposals which carried an average and a median offer premium of over 29% and over 24% respectively.

Disinterested Scheme Shareholders should know or should aware that, given the privatisation precedents may be conducted in under different market conditions and the companies involved are all operated in different industry sectors, the premiums or discounts of offer or cancellation consideration in the other privatisations may be different from that of the Proposal.

DISCUSSION AND ANALYSIS

The Proposal

Summary

The business and financial results of the NBBL Group are summarised above. The NBBL Group has been able to achieve considerable growth in earnings without significantly expanding its net asset base (net book value per NBBL Share for each of 30 June 2008 and 31 December 2008 was around HK\$0.45). We consider a company such as NBBL is most appropriately valued by reference to earnings.

Based on NBBL's 2007 earnings per share of HK\$0.089, the cash consideration under the Cash Alternative of HK\$1.20 represents an implied PE of approximately 13.43 times. This is substantially higher than the simple average of the Comparable Companies of 5.93 times.

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NBBL's 2008 full year earnings are difficult to assess as the Board has not made a formal profit forecast/estimate. Results for the first half of 2008 was very strong with six months earnings amounted to approximately HK\$149.7 million (or HK\$0.075 per NBBL Share), which is over 83% of the 2007 full year earnings. However, the Board has listed a number of factors which may negatively affect the results for the second half of 2008, such as declining sales growth in both PRC and Taiwan and lower propensity for customers to spend at the Group's self-owned and franchised spas. In fact, the Greater China Turnover of NBBL Group in the second half of 2008 was lower than that of the first half 2008 and it is the first time that such turnover in the second half is lower than that in the first half since 2002. The aforesaid factors also likely to affect the Comparable Companies, in which case the higher implied PE for NBBL based on the cash consideration under the Cash Alternative as compared to the Comparable Companies is likely to be maintained.

Cash Alternative

The cash consideration under the Cash Alternative represents only a modest premium of 9.9% and 1.8% over the 10 and 20 days VWAPs and a small discount of 4.8% over the 30 days VWAPs prior to the Last Trading Day respectively. This compares with the average premium for Hong Kong privatisations on the same basis announced since the beginning of 2007 of around 29% to 34%. However, the companies privatised and market conditions have varied widely during this period and consequently we have not placed great weight on the average premium paid. In addition, the trading liquidity of NBBL Shares is thin, with percentage of NBBL's monthly trading volume to the total number of outstanding NBBL Shares of approximately 0.9%. Accordingly, if Disinterested Scheme Shareholders wish to realise their investment in NBBL for cash in current market conditions, the Proposal provides a good opportunity to do so at around recent market prices and at a PE which is at a significant premium to those of the Comparable Companies. On this basis, we consider the Cash Alternative is fair and reasonable.

Private Holdco Shares Alternative

Scheme Shareholders are also offered for the Private Holdco Shares Alternative. As set out in the Appendix IV to the Scheme Document headed "Estimates of value of Holdco Shares", the Private Holdco Shares Alternative implies a value of approximately HK\$1.02 to HK\$1.20 for every Scheme Share, which (except for the upper limit of HK\$1.20) is lower than the value of the Cash Alternative to reflect the lack of marketability of Holdco Shares.

There is an element of cash (HK\$0.28 per NBBL Share) included in this alternative but the majority of the consideration is in the form of unlisted ordinary and preference shares. All Scheme Shareholders, including the Committed Shareholders, suffer the same degree of dilution if they elect the Private Holdco Shares Alternative. Such dilution is compensated by the cash element of HK\$0.28 and the sharing of cash contributed by the Investment Funds and retained in Holdco Group Company following completion of the Proposal. The maximum dilution to Disinterested Scheme Shareholders' interest in NBBL is approximately 40.52%. The exercise or non-exercise of the NBBL Options by the NBBL Optionholders will affect the shareholding dilution but such impact would be immaterial.

LETTER FROM SOMERLEY

Fractional share in Holdco will be issued to Disinterested Scheme Shareholders but they need to hold at least three board lots of NBBL Shares to reserve their voting rights in Holdco. In any event, they are entitled to enjoy other rights of being the holders of Holdco Ord Shares, such as receiving notice of the Holdco's shareholders meeting and receiving dividend (if any) in relation to the Holdco Ord Share held.

It has been stated that an exit will be sought within five years and a leveraged recapitalisation will be carried out afterwards if there is no listing by then, so a degree of liquidity is projected in due course but is not guaranteed. However, Disinterested Scheme Shareholders who opt for the Private Holdco Shares Alternative would have exchanged their listed NBBL Shares for unlisted shares in Holdco, which among other factors require Holdco Board's approval for transfer. As Holdco is unlisted, the protection offered by the Listing Rules in terms of, for example public disclosures, appointment of independent non-executive directors, restrictions on issues of new shares to third parties or governances regarding transactions with related parties would be lacking. Although Holdco Board will have eight directors, it seems they are all representatives of CVC and the Committed Shareholders and it takes a 12% block of shareholding in Holdco to elect a single director in Holdco Board. Only CVC and the Committed Shareholders, based on their initial shareholding in Holdco, are assured to have board representation under the Bye-Laws association of Holdco.

The Holdco Pref Shares will carry a dividend rate of 8% based on the issue price of US\$1.00 (or HK\$7.80) per Holdco Pref Share and such preference dividend will be accrued on a non-cash and non-compounded basis but there is no guarantee of payment. On this basis, the Disinterested Scheme Shareholders electing for the Private Holdco Shares Alternative would be entitled for a preference dividend of approximately US\$0.0094 (or HK\$0.074) in respect of each 0.117868 Holdco Pref Share. Such dividend represents approximately 49% of NBBL's 2007 total dividends (including special dividends) of HK\$0.15 or approximately 102% of NBBL's 2007 ordinary dividends of HK\$0.072. However, payment of such preference dividend is not guaranteed. Same as the Holdco Ord Shares, the Holdco Pref Shares do not offer any downside or capital protection or in the same way as there is none for Holdco Ord Shares.

In these circumstances, we do not consider the Private Holdco Shares Alternative is fair and reasonable from the point of view of the Disinterested Scheme Shareholders (other than the Committed Shareholders who have already undertaken to elect the Private Holdco Shares Alternative).

The Option Proposal

The price for the cancellation of the Options is based on the "see-through" principle and the cash consideration under the Cash Alternative of HK\$1.20. Such "see-through" principle is the normally adopted in Hong Kong for privatisation proposals of a similar nature. On the basis that the HK\$1.20 Cancellation Consideration is fair and reasonable and all the outstanding NBBL Options are out-of-money and that the NBBL Optionholders can exercise the NBBL Options and obtain the NBBL Shares effectively at no cost, we also consider the terms of the Option Proposal to be fair and reasonable so far as the NBBL option holders are concerned.

LETTER FROM SOMERLEY

Other considerations

We have not considered the different tax or other legal implications on the Disinterested Scheme Shareholders for electing different alternatives since these depend on their individual circumstances. In particular, Disinterested Scheme Shareholders should consider their own tax position and, if in any doubt, should consult their own professional advisers.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Proposal to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee to advise the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and NBBL Shareholders to vote in favour of the special resolution at the EGM. We further recommend the Independent Board Committee, on the basis as set out above, to advise the Disinterested Scheme Shareholders (other than the Committed Shareholders who have already undertaken to elect the Private Holdco Shares Alternative) to elect the Cash Alternative. As discussed above, we do not consider the Private Holdco Shares Alternative is fair and reasonable from the point of view of the Disinterested Scheme Shareholders (other than the Committed Shareholders who have already undertaken to elect the Private Holdco Shares Alternative).

Although all outstanding NBBL Options are out-of-money, we consider the NBBL Optionholders may consider to exercise in full their entitled NBBL Options on or before the Option Cut-Off Time (4:30 p.m. on 6 March 2009) since all NBBL Optionholders will be entitled for a cash bonus in the amount of the total exercise price payable for the exercise. In addition, all outstanding NBBL Options will become exercisable (whether or not these have otherwise vested) if the Scheme and the Reduction are approved at the Court Meeting and the EGM on 26 February 2009 respectively. By exercising the NBBL Options, NBBL Optionholders will effectively enjoy an extra bonus equivalent to the cash consideration under the Cash Alternative of HK\$1.20 times the number of NBBL Shares issued pursuant to the exercise of their entitled NBBL Options if the Proposal has become unconditional and assuming they elect the Cash Alternative. NBBL Optionholders are however reminded that the Option Proposal is conditional upon the Scheme becoming effective and binding and some other Conditions of the Proposal (as set out in details in section 3 headed "Conditions of the Proposal" in the Explanatory Statement) will remain to be fulfilled after the Option Cut-Off Time. In the event that the Proposal does not become unconditional after the Option Cut-Off Time, the NBBL Optionholders who exercise the NBBL Options before the Option Cut-Off Time will only be entitled to the NBBL Shares but not the Cash Alternative or the Private Holdco Shares Alternative. Given the NBBL Optionholders can obtain the NBBL Shares at effectively no cost, we consider the NBBL Optionholders may still consider exercising in full their entitled NBBL Options on or before the Option Cut-Off Time.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Director

EXPLANATORY STATEMENT

This explanatory statement constitutes the statement required under Order 102, rule 21(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

**SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES
IN CONSIDERATION OF BIDCO AGREEING
TO OFFER CASH OF HK\$1.20,
OR
0.000047 HOLDCO ORD SHARES AND 0.117868 HOLDCO PEF SHARES PLUS
CASH OF HK\$0.28,
FOR EVERY SCHEME SHARE
AND THE PROPOSED CASH OFFER TO CANCEL
ALL OUTSTANDING NBBL OPTIONS**

1. INTRODUCTION

On 10 November 2008, Bidco and NBBL entered into the Implementation Agreement, pursuant to which the parties agreed that Bidco will pursue the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of new NBBL Shares to Bidco. If the Proposal is implemented, it will result in NBBL becoming a wholly-owned subsidiary of Bidco and the listing of NBBL Shares being withdrawn from the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme and the Option Proposal and to provide Scheme Shareholders and NBBL Optionholders with relevant information in relation to the Scheme and the Option Proposal, and in particular, to state any material interest of the NBBL Directors, whether as NBBL Directors or as members or as creditors of NBBL or otherwise, and the effect thereon of the Scheme, in so far as it is different from the effect on the like interests of other persons.

The particular attention of Scheme Shareholders and NBBL Optionholders is drawn to the following sections of this document: (a) a letter from the NBBL Board set out on pages 16 to 34 of this document, (b) a letter from the Independent Board Committee in connection with the Scheme and the Option Proposal set out on pages 35 to 36 of this document; (c) a letter from Somerley, the independent financial adviser to the Independent Board Committee, set out on pages 37 to 76 of this document; (d) the Scheme set out on pages S-1 to S-10 of this document; (e) the notice of the Court Meeting and the notice of the Extraordinary General Meeting set out on pages N-1 to EGM-2 of this document; (f) proxy forms in respect of the Court Meeting and the EGM as enclosed with this document; and (g) the Election Form as enclosed with this document. NBBL Optionholders are also urged to read carefully the Option Proposal Letter which will be sent separately to NBBL Optionholders following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively.

EXPLANATORY STATEMENT

2. TERMS OF THE PROPOSAL

The Scheme is to be implemented by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands.

Under the terms of the Proposal, subject to the satisfaction or waiver, as applicable, of the Conditions, the Proposal will be implemented by way of the Scheme pursuant to which the Scheme Shares will be cancelled and, in consideration thereof, all of the Scheme Shareholders whose names appear on the register of members of NBBL at the Record Time will be entitled to receive either:

- (a) *Cash Alternative*: Cash of HK\$1.20 for every Scheme Share; or
- (b) *Private Holdco Shares Alternative*: 0.000047 Holdco Ord Share(s) and 0.117868 Holdco Pref Share(s), plus cash of HK\$0.28 for every Scheme Share.

The Cash Alternative and the cash element of the Private Holdco Shares Alternative will be financed by Bidco. The Scheme Shareholders may elect either the Cash Alternative or the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two). Scheme Shareholders who do not make any election, or fail to make a valid election for Private Holdco Shares Alternative in accordance with this document, will receive the cash consideration under the Cash Alternative if the Scheme becomes effective.

Bidco and Holdco have agreed, subject to the Scheme becoming effective, that Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Private Holdco Shares Alternative.

The Cancellation Consideration will not include any dividends which may be declared by NBBL prior to the Effective Date. No dividends or other distributions have been or will be declared by NBBL from the date of the Announcement up to the earlier of the Effective Date, the date on which the Scheme lapses or is withdrawn, both dates inclusive.

Please refer to paragraph 10 below headed "Comparison of Value" for a comparison of the value of the recent market prices and asset and other values of NBBL Shares and the values of the Cash Alternative and a description of the value of the Private Holdco Shares Alternative.

Issued NBBL Shares, outstanding NBBL Options, convertible securities, warrants, options or derivatives of NBBL

As at the Latest Practicable Date, there are 2,000,639,430 NBBL Shares in issue and 2,852,887 NBBL Options which are convertible into 2,852,887 NBBL Shares. Save as disclosed above, NBBL does not have any outstanding convertible securities, warrants, options or derivatives in respect of any NBBL Shares.

EXPLANATORY STATEMENT

NBBL Options and the Option Proposal

As at the Latest Practicable Date, there were 2,852,887 NBBL Options held by NBBL Optionholders which are convertible into 2,852,887 NBBL Shares. Of these, (a) 639,431 NBBL Options (the **2007 Options**) have an exercise price of HK\$1.76, all of which have vested and of which 383,659 are exercisable on or after 1 July 2009 and 255,772 are exercisable on or after 1 July 2010, and (b) 2,213,456 NBBL Options (the **2008 Options**) have an exercise price of HK\$1.69 and, subject to vesting pursuant to their terms of grant, 1,106,728 of which will become exercisable on or after 1 July 2009, 664,036 will become exercisable on or after 1 July 2010 and 442,692 will become exercisable on or after 1 July 2011. As at the Latest Practicable Date, none of the 2008 Options have vested yet. In any event, none of the 2007 Options and the 2008 Options may be exercised after 27 July 2017 and 16 July 2018 respectively (being ten years from the date of grant of the 2007 Options and the 2008 Options respectively). The following table sets out details of these outstanding NBBL Options:

	Number	Exercise price (HK)	Exercisable on or after	Vesting
<i>2007 Options</i>	383,659	1.76	1 July 2009	vested
	255,772	1.76	1 July 2010	vested
Total 2007 Options	639,431			
<i>2008 Options</i>	1,106,728	1.69	1 July 2009	not yet vested
	664,036	1.69	1 July 2010	not yet vested
	442,692	1.69	1 July 2011	not yet vested
Total 2008 Options	2,213,456			
Total outstanding NBBL Options convertible into the same number of NBBL Shares	2,852,887			

As at the Latest Practicable Date, none of the NBBL Directors had any interests in any NBBL Options.

In the event that any NBBL Options are exercised after the Latest Practicable Date and NBBL Shares are consequently issued prior to the Record Time, any such NBBL Shares shall participate in the Scheme.

EXPLANATORY STATEMENT

Once the Scheme and the Reduction are approved by the relevant majorities at the Court Meeting and the Extraordinary General Meeting, an Option Exercise Notice will be sent to all NBBL Optionholders, as soon as practicable and pursuant to the terms and conditions of the NBBL Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their NBBL Options (whether or not these have otherwise vested and become exercisable) at any time up to the Option Cut-Off Time by giving notice in writing (in the form appended to the Option Proposal Letter) to NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), together with the certificate for such NBBL Options and, where necessary pursuant to the terms of grant of the NBBL Options, payment for the aggregate amount of the exercise price of such NBBL Options multiplied by the number of NBBL Shares to be issued pursuant to the exercise of such NBBL Options. It is a term of grant of the NBBL Options that, upon the exercise of such options (including any part thereof), NBBL will as an additional employee incentive pay the relevant NBBL Optionholder a cash bonus in the amount of the total exercise price payable for the exercise. NBBL Optionholders are required to use any such cash bonus towards payment of the exercise price of the relevant NBBL Options.

Bidco is making the Option Proposal during the Option Proposal Offer Period to the NBBL Optionholders to purchase and cancel all their outstanding NBBL Options, whether vested or not. The offer to cancel each NBBL Option will be calculated on a "see-through" basis, so that each NBBL Optionholder will be entitled to receive a price for his/her NBBL Options being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of his/her NBBL Options. As the exercise price of all the NBBL Options is above the Cash Alternative, the offer price under the Option Proposal will be HK\$1.00 per board lot (which comprises 10,000 NBBL Shares) or part board lot of NBBL Shares which would be issued if the relevant NBBL Options were exercised in full. No stamp duty is payable in relation to the offer price under the Option Proposal. The Option Proposal is conditional upon the Scheme becoming effective and binding. The Option Proposal Offer Period will start immediately following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, and will end at the Record Time. The Court Meeting and the Extraordinary General Meeting are currently scheduled to take place on 26 February 2009. In order to accept the Option Proposal, each NBBL Optionholder will be required to duly complete the form of acceptance (appended to the Option Proposal Letter) in accordance with the instructions contained therein and to return it to NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), during the Option Proposal Offer Period.

If the Scheme and the Reduction are approved by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, and the Scheme is sanctioned by the Grand Court and becomes effective, any NBBL Options that are not exercised prior to the Option Cut-Off Time or cancelled pursuant to the Option Proposal will automatically lapse on the sanctioning of the Scheme by the Grand Court.

EXPLANATORY STATEMENT

If the Scheme is not sanctioned by the Grand Court or any of the Conditions is not satisfied and does not become effective, all unexercised NBBL Options will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the NBBL Share Option Scheme.

Total consideration and confirmation of financial resources

On the basis that the Committed Shareholders elect the Private Holdco Shares Alternative pursuant to the Irrevocable Undertakings and all the other Scheme Shareholders elect the Cash Alternative and that all NBBL Options are cancelled pursuant to the Option Proposal, the total maximum cash consideration payable under the Proposal and the Option Proposal is HK\$1,194,012,807 for 2,000,639,430 Scheme Shares and 2,852,887 NBBL Options, of which HK\$826,739,316 will be payable under the Cash Alternative in respect of 688,949,430 Scheme Shares (excluding the Committed Shares), HK\$367,273,200 will be payable under the cash consideration portion of the Private Holdco Shares Alternative in respect of 1,311,690,000 Committed Shares and HK\$291 will be payable under the Option Proposal to NBBL Optionholders.

On the basis that the Committed Shareholders elect the Private Holdco Shares Alternative pursuant to the Irrevocable Undertakings, that all the outstanding NBBL Options are exercised before the Option Cut-Off Time, resulting in an additional 2,852,887 Scheme Shares at the Record Time, and that all Scheme Shareholders (other than the Committed Shareholders) elect the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$1,197,435,980.40 for 2,003,492,317 Scheme Shares, of which HK\$830,162,780.40 will be payable under the Cash Alternative in respect of 691,802,317 Scheme Shares (excluding the Committed Shares) and HK\$367,273,200 will be payable under the cash consideration portion of the Private Holdco Shares Alternative in respect of 1,311,690,000 Committed Shares.

Bidco will finance the amount payable under the Proposal and the Option Proposal from funds contributed by the Investment Funds to Holdco (via a special purpose company) by way of equity subscription. Holdco will then contribute the funds to Bidco by way of equity subscription and shareholder loan(s). In respect of the amount payable under the Proposal and the Option Proposal that will be financed by the Investment Funds to Holdco and in turn by Holdco to Bidco by way of equity subscription, there will not be any interest, repayment of or security for any liability. In respect of the amount payable under the Proposal and the Option Proposal that will be financed by Holdco to Bidco by way of shareholder loan(s), there will not be any fixed repayment terms in respect of such shareholder loan(s) and the payment of interest, repayment of or security for any liability (contingent or otherwise) of such shareholder loan(s) will not depend to any significant extent on the business of NBBL. As such, whilst technically a shareholder loan of the type mentioned above is a debt, ranking in priority to equity, for all intents and purposes, such shareholder loan is analogous to an equity subscription by a shareholder as a shareholder will only be entitled to repayment of such shareholder loan or redemption of its Bidco Shares (in the case of an equity subscription) at the absolute

EXPLANATORY STATEMENT

discretion of Bidco. Additionally, a letter of credit of HK\$1,255,652,000, which comprises the exact amount required to settle the total maximum cash consideration payable under the Proposal and the Option Proposal and the estimated fees and expenses of the Offeror Group incurred in connection with the Proposal and the Option Proposal, from The Royal Bank of Scotland plc is also available to Bidco for drawdown. Citi, the financial adviser to Bidco, is satisfied that resources available to Bidco are sufficient to implement the Proposal and the Option Proposal.

Investors should be aware of, among other things but not limited to, the following risk factors of holding Holdco Shares:

- **Holdco Shares are illiquid and there is no ready market in Holdco Shares;**
- **Holdco Shares are not listed on any stock exchange and does not benefit from the protections afforded by the Listing Rules;**
- **Holdco Shares are subject to the rights and restrictions set out in the Bye-Laws;**
- **there is no guarantee that any dividend payments will be paid in respect of Holdco Shares;**
- **changes in the business and economic environment could adversely affect operating profits or the value of Holdco's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Holdco's operational risks;**
- **currency risk as a result of NBBL's assets and business operations being across national borders; and**
- **general business risk associated with the skin and beauty industry.**

3. CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on Holdco, Bidco, NBBL and all Scheme Shareholders, subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Disinterested Scheme Shareholders representing not less than three-fourths in value of the Disinterested Scheme Shares, present and voting at the Court Meeting either in person by proxy, provided that the number of votes cast against the resolution to approve (by way of a poll) the scheme of arrangement is not more than 10% of the votes attaching to all Disinterested Scheme Shares. NBBL Shareholders who are not Disinterested Scheme Shareholders shall, in compliance with the Takeovers Code, abstain from

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voting at the Court Meeting. For the avoidance of doubt, Citibank N.A. will be entitled to vote at the Court Meeting upon receiving instructions from its clients in respect of any NBBL Shares held by it as custodian on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of.

- (b) the passing of a special resolution to approve and give effect to the Reduction by cancelling all of the issued NBBL Shares by a majority of at least three-fourths of votes cast by the NBBL Shareholders present and voting in person or by proxy at the Extraordinary General Meeting and immediately thereafter, to apply the credit arising in its books of account as a result of the Reduction to pay up in full and issue to Bidco such number of new NBBL Shares as is equal to the number of Scheme Shares cancelled;
- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the Reduction;
- (e) all Authorisations having been obtained in connection with the Scheme from the relevant Authorities, in Cayman Islands, Hong Kong and/or any other relevant jurisdictions;
- (f) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and on the Effective Date;
- (g) all necessary consents from third persons (other than, for the avoidance of doubt, any that may be required from Bidco, Holdco, CVC Holdco, CVC or the Investments Funds or any of their respective associates) which may be required under any existing contractual obligations of NBBL or its subsidiaries being obtained and remaining in full force and effect without modification;
- (h) save as disclosed to Bidco and including publicly disclosed through filings by NBBL with the Stock Exchange up to the date of the Announcement, there being no provision of any arrangement, agreement, licence or other instrument to which any member of the NBBL Group is a party or by or to

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which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal or because of a change in control or management of NBBL could or might reasonably result in, to an extent which is material in the context of NBBL taken as a whole:

- (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the NBBL Group being repayable or being capable of being declared payable prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the NBBL Group or any such security (whether arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, licence or other instrument being terminated or adversely modified or any obligation or liability arising thereunder;
- (i) save as publicly announced prior to 25 November 2008 (being the date of the Announcement and except in so far as such event forms part of the Proposal or the Option Proposal), no member of the NBBL Group having since 30 June 2008 (being the date to which the latest published unaudited accounts of NBBL were made up):
- (i) save for transactions between members of the NBBL Group, issued, agreed or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities and including, for the avoidance of doubt, any scrip dividend or alter its authorised issue share capital, other than pursuant to the obligations in respect of existing NBBL Options;
 - (ii) other than lawfully to another member of the NBBL Group recommended, proposed, declared, paid or made any bonus issue, dividend or other distribution whether payable by cash or otherwise;
 - (iii) save for transactions between members of the NBBL Group, merged with any body corporate or acquired or disposed of any assets or authorised, proposed or announced any intention to propose any merger, demerger, acquisition or disposal;
 - (iv) save for transactions between members of the NBBL Group, issued, authorised or proposed the issue of any debentures or, save in the ordinary course of business, incurred or increased any indebtedness or contingent liability;
 - (v) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or redeemed or reduced or made any other change to any part of its share capital; or

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- (vi) save for transactions between members of the NBBL Group, entered into any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term, onerous or unusual nature or magnitude, and which involves or is likely to involve an obligation of a nature or magnitude which, in any case, is material in the context of the NBBL Group taken as a whole;
- (j) save as publicly announced prior to 25 November 2008 (being the date of the Announcement and except in so far as such event forms part of the Proposal, or the Option Proposal), since 30 June 2008 (being the date to which the latest published unaudited accounts of NBBL were made up):
 - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the NBBL Group to an extent which is material in the context of the NBBL Group taken as a whole; and
 - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the NBBL Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the NBBL Group taken as a whole; and
- (k) each member of the NBBL Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the NBBL Group from the date of the Announcement up to the date when all the Conditions are satisfied or waived, as applicable.

When the Conditions are fulfilled or waived, as applicable, the Scheme will become effective and binding on Holdco, Bidco, NBBL and all Scheme Shareholders. Bidco reserves the right (but is in no way obliged) to waive Conditions (h), (i), (j) and (k), either in whole or in respect of any particular matter. As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived (as applicable). All of the Conditions will have to be fulfilled or waived, as applicable, on or before 31 March 2009 (or such later date as Bidco and NBBL may agree in writing and the Grand Court may allow), otherwise the Proposal will lapse.

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Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around Friday, 27 March 2009 and the listing of NBBL Shares on the Stock Exchange will be withdrawn at 9:30 a.m. on Monday, 30 March 2009 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

An announcement will be made by Bidco and NBBL if the Scheme lapses. Further announcements regarding the Proposal will be made as and when appropriate.

NBBL Shareholders, NBBL Optionholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and that the Proposal and the Scheme may or may not become effective. NBBL Shareholders should therefore exercise caution when dealing in NBBL Shares.

4. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% in value of the votes attaching to the Disinterested Scheme Shares that are cast either in person or by proxy by poll at a duly convened meeting of the Disinterested Scheme Shareholders; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 2,000,639,430 NBBL Shares. 10% of the votes attached to all Disinterested Scheme Shares referred to in paragraph (b) above therefore represent 200,063,943 NBBL Shares as at the Latest Practicable Date.

5. IMPLEMENTATION AGREEMENT

Bidco and NBBL entered into the Implementation Agreement on 10 November 2008, pursuant to which the parties agreed that Bidco will effect the proposed privatisation of NBBL by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of new NBBL Shares to Bidco. If the Scheme becomes effective and the Proposal is completed, it will result in NBBL becoming a wholly-owned subsidiary of Bidco and the listing of NBBL Shares will be withdrawn from the Stock Exchange.

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Pursuant to the Implementation Agreement, NBBL has agreed to use its reasonable endeavours to implement the Scheme and has further undertaken to Bidco that it will not (and will procure that each member of the NBBL Group will not) without the prior written consent of Bidco (during the period between the date of the Implementation Agreement and the earlier of the Effective Date and the date of termination of the Implementation Agreement) do, among other things, the following (save for any action required to give effect to the Proposal and otherwise than as contemplated in the Scheme Document or other document required to be published in connection with the Scheme and the Implementation Agreement):

- (a) carry on their respective businesses other than in the ordinary and usual course;
- (b) transfer, assign or sub-license to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of;
- (c) save for the obligations in respect of existing NBBL Options, allot, issue, authorise or propose the issue of any securities or make any change to its share capital;
- (d) recommend, propose, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise;
- (e) merge with any body corporate or acquire or dispose of any assets or authorise, proposed or announce any intention to propose any merger, demerger, acquisition or disposal;
- (f) issue, authorise or propose the issue of any debentures or, save in the ordinary course of business, incur or increase any indebtedness or contingent liability; and
- (g) enter into any contract, arrangement or commitment which is of a long-term, onerous or unusual nature or magnitude which, in any case, is material in the context of the NBBL Group taken as a whole.

Under the terms of the Implementation Agreement, Bidco will be entitled to terminate the Implementation Agreement prior to the Effective Date, by way of service of a written notice to NBBL, following a failure of any of the Conditions (which cannot be waived), or if the recommendation of the NBBL Directors as to whether the NBBL Shareholders should vote to approve the Scheme and the Reduction at, respectively, the Court Meeting and the Extraordinary General Meeting contained in this document is withdrawn prior to the Grand Court's sanction of the Scheme and confirmation of the Reduction. There are no prescribed circumstances under the Implementation Agreement under which such recommendation of the NBBL Directors may be withdrawn. The NBBL Directors may, for example, withdraw any recommendation for the Proposal in the future if it receives a takeover offer from a third party on terms which are more favourable to

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Scheme Shareholders than the terms of the Proposal and Bidco fails to within five Business Days revise the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable than those offered by the third party.

The Grand Court procedures and other corporate procedures for implementing the Proposal are to be carried out by NBBL in accordance with the terms of the Implementation Agreement, subject to the relevant laws in the Cayman Islands and the Takeovers Code. Should the Implementation Agreement be terminated, the continued implementation of the Proposal is dependant upon NBBL, NBBL's implementation of the Proposal will be subject to the relevant laws in the Cayman Islands and the Takeovers Code and in particular, the NBBL Directors will have regard to their duties as directors of NBBL as to whether or not to proceed with the Proposal.

The termination of the Implementation Agreement will not affect Bidco's obligations under the Takeovers Code in respect of the Proposal and therefore Bidco's obligations under the Takeovers Code in respect of the Proposal (including the obligation under the Takeovers Code for an offeror to proceed with an offer unless the offer is subject to the fulfilment of a specific condition and that condition has not been met) remain unaffected regardless of whether the Implementation Agreement is to be terminated. As disclosed above, the Grand Court procedures and other corporate procedures for implementing the Proposal are carried out by NBBL. Therefore to that extent, Bidco is reliant on NBBL Directors to implement the Proposal in accordance with the relevant laws in the Cayman Islands and the Takeovers Code, and in this regard, NBBL Directors are under a fiduciary duty to act in the best interest of NBBL. This is the case irrespective of whether the Implementation Agreement exists or is terminated. Accordingly, the position of NBBL Shareholders in relation to the Scheme will not be prejudiced in the event that the Implementation Agreement is terminated.

6. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

Bidco has received Irrevocable Undertakings from the Committed Shareholders, pursuant to which the Committed Shareholders have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and to approve the Reduction at the Extraordinary General Meeting in respect of the Committed Shares (which represent approximately 65.56% of the fully diluted issued share capital of NBBL) and elect the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of the Committed Shares. As at the Latest Practicable Date, none of the Committed Shareholders holds any outstanding NBBL Options.

Under the terms of the Irrevocable Undertakings, the obligations of the respective Committed Shareholders are also irrevocably guaranteed by their respective Controlling Parties.

As at the Latest Practicable Date, save as disclosed above, the Bidco Board has confirmed that no other person has irrevocably committed themselves to vote to approve or reject the Scheme.

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7. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND COURT MEETING

According to section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

Section 86 of the Companies Law provides (among other things) that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting or meetings, as the case may be, summoned as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

8. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirement of section 86 of the Companies Law and Rule 2.10 of the Takeovers Code (as described above), the Scheme will, so long as it is sanctioned by the Grand Court, become binding on NBBL and all the Scheme Shareholders and, pursuant to an Undertaking given by Bidco and Holdco, on Bidco and Holdco.

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9. EFFECTS OF THE SCHEME

Shareholding structure of NBBL

The table below sets out the shareholding structure of NBBL as at the Latest Practicable Date and immediately following the implementation of the Scheme assuming there is no change to NBBL shareholding structure and no NBBL Option is exercised on or prior to the Effective Date:

Shareholders	As at the Latest Practicable Date		Immediately following implementation of the Scheme	
	Number of NBBL Shares legally and/or beneficially owned (‘000)	% of the total issued share capital (rounded up to the nearest four decimal places)	Number of NBBL Shares legally owned (‘000)	% of the total issued share capital (rounded up to the nearest four decimal places)
Efficient Market ^(a)	838,530	41.9131	0	0
Adventa Group ^(b)	236,580	11.8252	0	0
Fortune Bright ^(c)	236,580	11.8252	0	0
Martin Currie (Holdings) Limited ^(d)	174,096	8.7020	0	0
Keywise Capital Management (HK) Limited ^(e)	161,540	8.0744	0	0
UBS AG	120,737	6.0349	0	0
Citibank N.A. ^(f)	5,535.4	0.2767	0	0
Others	227,041.03	11.3485	0	0
Bidco	0	0	2,000,639.43	100.000
Total	2,000,639.43	100.0000	2,000,639.43	100.000

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Notes:

- (a) Efficient Market is beneficially wholly-owned by Knightcote Enterprises Limited. Knightcote Enterprises Limited is beneficially wholly-owned by Dr. Tsai Yen-Yu, the Chairwoman of NBBL and an NBBL Director. These shares are attributable to Dr. Tsai in respect of her 100% interest in Knightcote Enterprises Limited.
- (b) Adventa Group is beneficially wholly-owned by Beautivalue Holdings Limited. Beautivalue Holdings Limited, is beneficially wholly-owned by Dr. Su Chien Cheng, an NBBL Director. These shares are attributable to Dr. Su Chien Cheng in respect of his 100% interest in Beautivalue Holdings Limited.
- (c) Fortune Bright is beneficially wholly-owned by Colour Shine Holdings Limited. Colour Shine Holdings Limited, is beneficially wholly-owned by Dr. Su Sh Hsyu, an NBBL Director. These shares are attributable to Dr. Su Sh Hsyu in respect of her 100% interest in Colour Shine Holdings Limited.
- (d) Martin Currie (Holdings) Limited was incorporated in Bermuda in October 2007. It is headquartered in Edinburgh and is the holding company of Martin Currie Ltd, an investment management services firm managing over US\$25.0 billion in funds as at 30 June 2008.
- (e) Keywise Capital Management (HK) Limited, headquartered in Hong Kong, is a hedge fund specialising in small-cap investments across the Greater China region, according to www.InvestHK.gov.hk.
- (f) Citibank N.A., which is presumed to be a person acting in concert with Bidco, held 5,535,400 NBBL Shares as custodian on behalf of its clients (who are the beneficial owners thereof and who control the entire voting rights attaching thereto) and of which Citibank N.A. does not have discretionary management of as at the Latest Practicable Date.

Following the Effective Date, NBBL will be wholly-owned by Bidco and the listing of NBBL Shares will be withdrawn from the Stock Exchange. As at the Latest Practicable Date, other than the 2,852,887 NBBL Options convertible into 2,852,887 NBBL Shares which were granted under the NBBL Share Option Scheme, NBBL does not have any outstanding convertible securities, warrants, options or derivatives in respect of any NBBL Shares.

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Shareholding Structure of Holdco

As at the Latest Practicable Date, there is one Bidco Share and one Holdco Share in issue and there are no outstanding convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares.

The table below sets out the shareholding structure of Holdco as at the date of this document and immediately following implementation of the Proposal in the event that only the Committed Shareholders elected the Private Holdco Shares Alternative pursuant to the Irrevocable Undertakings, and (i) that no NBBL Option is exercised after the Latest Practicable Date and that all the NBBL Options are cancelled pursuant to the Option Proposal; or (ii) all the outstanding NBBL Options are exercised before the Option Cut-Off Time and the Cash Alternative is elected in respect of the NBBL Shares issued pursuant to the exercise of such NBBL Options:

	As at the date of this document % of the issued share capital	Number of Holdco Ord Shares	Number of Holdco Pref Shares	Immediately following implementation of the Proposal			% of the issued share capital
				Par value amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(a)	Premium amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(b)	Total Capital (HK\$ millions) (rounded to nearest 2 decimal places) ^(c)	
CVC Holdco ^(d)	100	64,166 ^(e)	160,916,746 ^(e)	12.557 ^(e)	1,243.095 ^(e)	1,255.65 ^(e)	51.00
Committed Shareholders	0	61,649	154,606,277	12.064 ^(e)	1,194.346 ^(e)	1,206.41 ^(e)	49.00
Others	0	0	0	0.000	0.000	0.00	0.00
Total	100	125,815^(e)	315,523,023^(e)	24.621^(e)	2,437.441^(e)	2,462.06^(e)	100.00

Notes:

- (a) Based on the par value of US\$0.01 per Holdco Share.
- (b) Based on the premium of US\$0.99 per Holdco Share.
- (c) Based on the issue price of US\$1.00 per Holdco Share.
- (d) As at the date of this document, CVC Holdco owns all the issued shares in Holdco which in turn owns all the issued shares in Bidco.
- (e) The number of Holdco Ord Shares and Holdco Pref Shares held by CVC Holdco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.80 : US\$1.

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The table below sets out the shareholding structure of Holdco as at the date of this document and immediately following implementation of the Proposal assuming all Scheme Shareholders (including the Committed Shareholders pursuant to the Irrevocable Undertakings) elected for the Private Holdco Shares Alternative and all the NBBL Options are cancelled pursuant to the Option Proposal:

	As at the date of this document % of the issued share capital	Number of Holdco Ord Shares	Number of Holdco Pref Shares	Immediately following implementation of the Proposal			% of the issued share capital
				Par value amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(a)	Premium amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(b)	Total Capital (HK\$ millions) (rounded to nearest 2 decimal places) ^(c)	
CVC Holdco ^(d)	100	64,166 ^(e)	160,916,746 ^(e)	12.557 ^(e)	1,243.095 ^(e)	1,255.65 ^(e)	40.56
Committed Shareholders	0	61,649	154,606,277	12.064 ^(e)	1,194.346 ^(e)	1,206.41 ^(e)	38.97
Others	0	32,381	81,205,091	6.337 ^(e)	627.316 ^(e)	633.65 ^(e)	20.47
Total	100	158,196^(e)	396,728,114^(e)	30.958^(e)	3,064.757^(e)	3,095.71^(e)	100.00

Notes:

- (a) Based on the par value of US\$0.01 per Holdco Share.
- (b) Based on the premium of US\$0.99 per Holdco Share.
- (c) Based on the issue price of US\$1.00 per Holdco Share.
- (d) As at the date of this document, CVC Holdco owns all the issued shares in Holdco which in turn owns all the issued shares in Bidco.
- (e) The number of Holdco Ord Shares and Holdco Pref Shares held by CVC Holdco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.80 : US\$1.

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The table below sets out the shareholding structure of Holdco as at the date of this document and immediately following implementation of the Proposal assuming all the outstanding NBBL Options are exercised and all Scheme Shareholders (including the Committed Shareholders pursuant to the Irrevocable Undertakings) elect for the Private Holdco Shares Alternative:

	As at the date of this document % of the issued share capital	Number of Holdco Ord Shares	Number of Holdco Pref Shares	Immediately following implementation of the Proposal			% of the issued share capital
				Par value amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(a)	Premium amount of issued share capital (HK\$ millions) (rounded to nearest 3 decimal places) ^(b)	Total Capital (HK\$ millions) (rounded to nearest 2 decimal places) ^(c)	
CVC Holdco ^(d)	100	64,166 ^(e)	160,916,746 ^(e)	12.557 ^(e)	1,243.095 ^(e)	1,255.65 ^(e)	40.527%
Committed Shareholders	0	61,649	154,606,277	12.064 ^(e)	1,194.346 ^(e)	1,206.41 ^(e)	38.937%
Others	0	32,515	81,541,356	6.363 ^(e)	629.913 ^(e)	636.28 ^(e)	20.536%
Total	100	158,330 ^(e)	397,064,379 ^(e)	30.984 ^(e)	3,067.354 ^(e)	3,098.34 ^(e)	100.000%

Notes:

- (a) Based on the par value of US\$0.01 per Holdco Share.
- (b) Based on the premium of US\$0.99 per Holdco Share.
- (c) Based on the issue price of US\$1.00 per Holdco Share.
- (d) As at the date of this document, CVC Holdco owns all the issued shares in Holdco which in turn owns all the issued shares in Bidco.
- (e) The number of Holdco Ord Shares and Holdco Pref Shares held by CVC Holdco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.80 : US\$1.

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10. COMPARISON OF VALUE

The Cash Alternative

The cash consideration of HK\$1.20 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 9.89% over the volume weighted average closing price of HK\$1.092 per NBBL Share for the 10 trading days up to and including the Last Trading Day;
- (b) a premium of approximately 1.78% over the volume weighted average closing price of HK\$1.179 per NBBL Share for the 20 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 163.74% to the audited consolidated net asset value attributable to NBBL Shareholders per NBBL Share of about HK\$0.455 as at 31 December 2007;
- (d) a premium of approximately 166.08% to the unaudited consolidated net asset value attributable to NBBL Shareholders per NBBL Share of about HK\$0.451 as at 30 June 2008 as disclosed in NBBL's unaudited financial results for the six-month period ended on 30 June 2008 published on 24 September 2008;
- (e) a discount of approximately 15.49% over the closing price of HK\$1.42 per NBBL Share as quoted on the Stock Exchange as at the Last Trading Day; and
- (f) no premium or discount over the closing price of HK\$1.20 per NBBL Share as quoted on the Stock Exchange as at the Latest Practicable Date.

NBBL Shareholders should note that on the Last Trading Day the share price of NBBL increased by 17.4% to HK\$1.42, which was the largest single day percentage increase in NBBL's share price since April 2002 (the only larger single day percentage increase occurring on the second trading day following the listing of NBBL Shares on the Stock Exchange). NBBL Shareholders should further note that since the Last Trading Day to the Latest Practicable Date, the Hang Seng Index has decreased by 15.24%.

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A summary of the closing prices of NBBL Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date is set out in Appendix III to this document.

Net assets value

As at 30 June 2008, the unaudited consolidated net assets of the NBBL Group attributable to NBBL Shareholders were approximately HK\$901,915,000, or approximately HK\$0.451 per NBBL Share (based on 2,000,639,430 NBBL Shares in issue as at the Latest Practicable Date). The price of HK\$1.20 offered for every Scheme Shares held under the Cash Alternative represents a multiple of 2.66 times of the unaudited consolidated net asset value per Scheme Share as at 30 June 2008.

Earnings

As at 31 December 2007, the audited consolidated profit of the NBBL Group attributable to NBBL Shareholders were approximately HK\$178,707,000, representing a basic earning of approximately HK\$0.089 per NBBL Share (based on 2,000,639,430 NBBL Shares in issue as at the Latest Practicable Date).

As at 30 June 2008, the unaudited consolidated profit of the NBBL Group attributable to NBBL Shareholders were approximately HK\$149,655,000, representing a basic earning of approximately HK\$0.075 per NBBL Share (based on 2,000,639,430 NBBL Shares in issue as at the Latest Practicable Date).

Based on the Cash Alternative of HK\$1.20 per Scheme Share and the basic earning of approximately HK\$0.089 per NBBL Shares as at 31 December 2007, the Cash Alternative values the NBBL Shares at a price to earnings multiple of 13.48 times.

Dividends

For the financial year ended 31 December 2007, NBBL declared and paid an aggregate dividend of HK\$0.15 per NBBL Share. For the six months ended 30 June 2008 and up to the Latest Practicable Date, NBBL declared an aggregate dividend of HK\$0.05 per NBBL Share.

The Private Holdco Shares Alternative

The actual number of Holdco Shares to be made available for allotment and issuance under the Private Holdco Shares Alternative will be determined on the Record Date. On the basis that all the Scheme Shareholders elect the Private Holdco Shares Alternative and all the NBBL Options are cancelled pursuant to the Option Proposal, 235,905,398 Holdco Shares shall be issued, representing approximately 59.44% of the fully diluted issued share capital of Holdco.

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The Holdco Shares are shares of a newly incorporated unlisted and exempted limited liability company in the Cayman Islands. As set out in Appendix IV to this document, Citi has advised the Bidco Directors that an estimate of the value of a Holdco Ord Share is within a range of approximately HK\$6.24 to HK\$7.80 and an estimate of the value of a Holdco Pref Share is within a range of approximately HK\$6.24 to HK\$7.80. Based on the Private Holdco Shares Alternative, whereby each Scheme Shareholder is entitled to receive 0.000047 Holdco Ord Share(s) and 0.117868 Holdco Pref Share(s), plus cash of HK\$0.28 for every Scheme Share, this implies a consideration of approximately HK\$1.02 to HK\$1.20 for every Scheme Share.

NBBL Shareholders should note that the Estimates of Value do not represent a formal opinion of the value of a Holdco Ord Share or a Holdco Pref Share by Citi or Bidco and these Estimates of Value are provided to the Bidco Directors by Citi solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be relied upon by any third party for any purpose whatsoever and Citi expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix IV, each of Bidco and Citi expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any elections to choose the Cash Alternative or the Private Holdco Shares Alternative and also expresses no opinion as to the fairness of the financial terms of the Proposal.

For further details, including key assumptions and methodology adopted in respect of the Estimate of Value, please refer to Appendix IV to this document.

The Holdco Ord Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank *pari passu* with the existing Holdco Ord Share at the date of issue. There is no dividend policy in respect of the Holdco Ord Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ord Shares. Payment of Holdco Ord Shares dividends (if any) is dependent solely on whether such payment is lawful under the laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. The payment of Holdco Ord Shares dividends (if any) is also subject to the prior rights of payment of Holdco Pref Shares dividends to the Holdco Pref Shareholders. The holders of Holdco Ord Shares shall be entitled to receive notice of general meetings of Holdco and shall have the right to one vote per Holdco Ord Share at such meetings.

The Holdco Pref Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank for any dividends or other distributions declared ahead of the Holdco Ord Shares. The Holdco Pref Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ord Shares. The Holdco Pref Shares dividends will accrue on a non-cash and non-compounded basis at the rate of 8% per year in respect of the Holdco Pref Shares, such percentage being a percentage of the issue

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price of each Holdco Pref Share and payment of such dividends (if any) is dependent solely on whether such payment is lawful under the laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. There is no dividend policy in respect of the Holdco Pref Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Pref Shares. The Holdco Pref Shares do not confer any further right of participation in the profits of Holdco.

In addition, the Holdco Pref Shares may be redeemed (subject to the laws of the Cayman Islands) at the election of Holdco, subject to the consent of the holders of a majority of not less than two-thirds of the Holdco Pref Shares in issue and pursuant to the Bye-Laws and subject to the Companies Law. However, on, or immediately before an Exit, Holdco shall (unless a majority of not less than two-thirds of the Holdco Pref Shareholders shall otherwise agree and subject to the Companies Law) redeem all Holdco Pref Shares then in issue.

The Holdco Pref Shares will be redeemed, subject to the laws of the Cayman Islands, at an amount equal to the aggregate of (i) the par value of such Holdco Pref Shares, together with any amount credited to the share premium account in respect of such Holdco Pref Shares and (ii) any accrued and unpaid Holdco Pref Share dividends as calculated up to and including the date on which such Holdco Pref Shares are redeemed by Holdco.

The Holdco Pref Shareholders shall be entitled to receive notice of general meetings of Holdco but not to attend or vote thereat unless the business of the meeting includes a resolution (in which case Holdco Pref Shareholders shall have the right to attend and have one vote per Holdco Pref Share):

- (i) for winding up Holdco; or
- (ii) affecting, altering or abrogating the rights or privileges or restrictions attached to the Holdco Pref Shares.

Save for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected the Private Holdco Shares Alternative as the form of Cancellation Consideration (which the Holdco Board has consented to in writing), the Holdco Shares will not be tradable or transferable without the prior written consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of Cayman Islands, including but not limited to the fiduciary duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted company. The ability of the Holdco Board to withhold its consent in its absolute discretion to permit the transfer of Holdco Shares is common restrictive wording adopted by many private companies in the Cayman Islands. The issue and/or transfer of such new Holdco Shares will be subject to the Bye-Laws and the rights of Scheme Shareholders who elect the Private Holdco Shares Alternative and become shareholders in Holdco will primarily be governed by the Bye-Laws, the Companies Law and the laws of Cayman Islands.

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Please refer to paragraph 6 headed “Share Capital of Holdco and Capital, Dividends and Voting Rights of Holdco Shares” in Appendix III on pages III-8 to III-12 of this document for further information on the Holdco Shares.

11. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Bidco Board is of the view that, on a long-term basis, NBBL Group has strong fundamentals and good market potential and that Bidco can add long-term value to NBBL Group’s business by bringing to it CVC’s experience in developing companies under private ownership.

The Bidco Board is of the view that the terms of the Proposal are attractive to NBBL Shareholders and that the proposed privatisation of NBBL will be beneficial to NBBL Shareholders in a number of ways.

The Bidco Board is of the view that the Proposal provides an opportunity for NBBL Shareholders to realise their holdings in an illiquid stock in return for cash. In this regard, the Bidco Board notes that the average daily traded volume of NBBL Shares from 2 January 2008 to (i) the Last Trading Day was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue and (ii) the Latest Practicable Date was less than 1 million NBBL Shares per day, which is less than 0.05% of the total number of NBBL Shares in issue.

The Bidco Board is of the view that the Proposal also provides NBBL Shareholders with an opportunity to realise their investment in NBBL for cash during current poor market conditions and allows NBBL Shareholders the opportunity to invest such cash in other investment opportunities that they may consider more attractive. In addition, the Bidco Board is of the view that the Proposal also provides NBBL Shareholders the opportunity to continue to participate in NBBL if desired through the election of the Private Holdco Shares Alternative.

The NBBL Directors (other than members of the Independent Board Committee, which has been formed to advise the Disinterested Scheme Shareholders in connection with the Proposal and the NBBL Optionholders in connection with the Option Proposal, whose views are set out in their letter to the Disinterested Scheme Shareholders on pages 35 to 36 of this document) agree with the Bidco Board’s view set out above in this section headed “Reasons for and Benefits of the Proposal”.

In addition, the NBBL Board is of the view that economic conditions in PRC are becoming increasingly challenging. According to the National Bureau of Statistics of China, PRC achieved a 9.0% gross domestic product, or GDP, growth in the third quarter of 2008, which was the slowest quarter of economic growth in PRC for the past five years. The World Bank and the International Monetary Fund have lowered their forecasts on PRC’s GDP significantly for the years 2009 and 2010 due to an expected worsening global economic environment which may have a direct impact on PRC’s export and manufacturing sectors. The NBBL Board is of the view that the effect of the worsening global economic environment on PRC’s export and manufacturing levels as well as the declining property and asset prices in PRC are expected to have a negative effect on the

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wealth of consumers and hence, an adverse effect on consumer spending. By way of example, the World Bank has recently lowered their 2009 GDP forecast for PRC from 9.2% to 7.5%. In light of the above, the NBBL Board is of the view that as the economy weakens, there is a meaningful risk that consumer spending will continue to decline and this in turn may have a negative impact on the overall spa services industry.

The NBBL Board is of the view that it has experienced a slowdown in sales due to the weakening global economic climate. The NBBL Board notes that there has been a lower propensity for customers to spend at the spas operated by the NBBL Group. Due to the increasing pressures seen in the overall PRC and Taiwan economy and in consumer spending as well as the negative growth trends experienced by NBBL Group in recent months, the NBBL Board notes that (i) the turnover of NBBL Group from the PRC and Taiwan (the *Greater China Turnover*) in aggregate for the second half of 2008 decreased by approximately 12% as compared to that of the first half of 2008; (ii) the Greater China Turnover in the month of November 2008 was lower than that of the month of November 2007, which contributed to a lower aggregate Greater China Turnover for the fourth quarter of 2008 as compared to that of the fourth quarter of 2007; and (iii) the growth rate of the Greater China Turnover for the second half of 2008 compared against the second half of 2007 was lower than the growth rate of the Greater China Turnover for the first half of 2008 compared against the first half of 2007. In addition, the PRC's introduction of the new Unified Enterprise Tax Law (the *New Law*) became effective on 1 January 2008. Prior to the New Law, dividends paid to foreign investors are exempted from withholding tax. Under the New Law, certain NBBL subsidiaries will be subject to 5% to 10% withholding tax on dividends paid to intermediate holding companies incorporated outside the PRC within NBBL Group. As a result, additional tax will be payable in 2009 by NBBL Group in the PRC for dividends declared in respect of the year ending 31 December 2008. Going forward, additional tax will continue to be payable by NBBL Group in the PRC if and when dividends are declared.

As a result of the increasing pressures seen in the overall PRC and Taiwanese economy and in consumer spending, the negative growth trends experienced by NBBL in recent months as well as the implementation of the New Law, the NBBL Board is of the view that the Proposal represents a good opportunity for NBBL Shareholders to realise their shareholdings in an increasingly uncertain environment at a fair valuation.

On the basis of the foregoing, the NBBL Directors (other than members of the Independent Board Committee as set out above) have decided to put forward to the Scheme Shareholders for their consideration, and proceed with, the Proposal.

Your attention is drawn to the risk factors of holding Holdco Shares set out in paragraph 2 headed "Terms of the Proposal" in the Explanatory Statement on pages 78 to 82 of this document.

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12. INFORMATION ON NBBL

NBBL is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Stock Exchange since March 2002. The NBBL Group is principally engaged in the manufacture and selling of skin care, beauty and aromatherapeutic products, the provision of skin treatments, beauty and spa services, skin care consulting and beauty training.

A summary of the audited consolidated results of the NBBL Group for each of the two years ended 31 December 2006 and 2007 and the unaudited financial results for the six-month period ended on 30 June 2008 (published on 24 September 2008) is set out below:

	For the year ended		For the
	31 December		six months
	2006	2007	ended 30
	(HK\$'000)	(HK\$'000)	June 2008
			(unaudited)
			(HK\$'000)
Turnover	363,746	450,147	315,651
Profit before taxation	174,453	208,029	168,287
Profit after taxation	122,812	178,781	149,778
Profit attributable to NBBL			
Shareholders	123,198	178,707	149,655
Dividends	125,000	300,000	100,032
Dividends per NBBL Share (HK\$)	0.063	0.15	0.05
Basic Earnings per NBBL Share (HK\$)	0.062	0.089	0.075

As at 30 June 2008, the unaudited consolidated net assets of the NBBL Group attributable to NBBL Shareholders were approximately HK\$901,915,000, or approximately HK\$0.451 per NBBL Share (based on 2,000,639,430 NBBL Shares in issue as at the Latest Practicable Date).

13. INFORMATION ON BIDCO, HOLDCO AND CVC HOLDCO

Bidco and Holdco are exempted companies incorporated in the Cayman Islands with limited liability on 31 October 2008. CVC Holdco is an exempted company incorporated in the Cayman Islands with limited liability on 19 June 2007. The principal business of each of the Offeror Group Companies is investment holding and to date, none of the Offeror Group Companies has conducted any business. Bidco is a wholly-owned subsidiary of Holdco which in turn is a wholly-owned subsidiary of CVC Holdco. Each of the Offeror Group Companies is ultimately owned by the Investment Funds of which CVC is the investment adviser. CVC is a private equity investment advisory company established in 1999 with offices in Hong Kong, Beijing, Seoul, Singapore, Tokyo and Sydney and advises funds managing equity capital of over US\$6.8 billion. CVC advises

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funds, including the Investment Funds which were established in July and September 2007 and which have a total of approximately US\$4.1 billion under management. Currently, funds advised by CVC have invested in over 30 companies with a combined enterprise value of approximately US\$20 billion. The Investment Funds are widely held among a large number of investors comprising pension funds, financial institutions, university endowment funds, funds of funds and private individuals. Each of the Offeror Group Companies is an independent third party and is not connected with and is not a person acting in concert with NBBL or its subsidiaries or any connected persons of NBBL.

As at the Latest Practicable Date, the Holdco Board comprises Mr. Roy Kuan, Mr. Hans Wang Watganai, Mr. Budi Mulyana and Mr. Roger Lin.

Mr. Roy Kuan, aged 42, is a managing partner of CVC. Mr. Kuan holds a BA from Georgetown University and an MBA from the Wharton School, University of Pennsylvania. Mr. Kuan joined CVC in 1999 and prior to that, he worked in Citigroup's Asia private equity investment team. Mr. Kuan is currently a director of several portfolio companies of funds advised by CVC.

Mr. Hans Wang Watganai, aged 38, is a managing director of CVC. Mr. Watganai holds a BS from Columbia University, a MS from Stanford University, and an MBA from Harvard Business School. Mr. Watganai joined CVC in 2006 and was previously head of M&A, Asia Pacific, at InBev S.A. Prior to that, he worked at McKinsey & Co. Mr. Watganai is currently a director of several portfolio companies of funds advised by CVC.

Mr. Budi Mulyana, aged 33, is an investment director of CVC. Mr. Mulyana holds a BS from Stanford University and a MS from University of Pennsylvania. Mr. Mulyana joined CVC in 2006 and prior to that, he worked at DBS Bank and Bear Stearns. Mr. Mulyana is currently a director of several portfolio companies of funds advised by CVC.

Mr. Roger Lin, aged 29, is an investment executive of CVC. Mr. Lin holds a BS in Engineering from the University of California, Berkeley. Mr. Lin joined CVC in 2008, and was previously an analyst in the Investment Banking Division of Citi.

Under the Bye-Laws, each Holdco Shareholder or group of Holdco Shareholders shall have the right to appoint one Holdco Director representing every 12% of the Holdco Shares in issue that such Holdco Shareholder or group of Holdco Shareholders beneficially holds. The intention is to increase the size of the Holdco Board to 8 directors and for the composition to be reflective of the shareholding base of Holdco.

Pursuant to the Irrevocable Undertakings, the Committed Shareholders (which are beneficially wholly-owned by Dr. Tsai Yen-Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu who are also NBBL Directors) have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and to elect the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of the Committed Shares. The shareholding structure of NBBL following the implementation of the Proposal (including the shareholding of the Committed Shareholders) is as set out in the section headed "Shareholding Structure of Holdco" in this Explanatory Statement on pages 92 to 94 of this document.

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Accordingly, the Committed Shareholders (individually or as a group) shall have the right to appoint one Holdco Director representing every 12% of the Holdco Shares in issue that such Committed Shareholders (individually or as a group) beneficially own following the implementation of the Proposal.

CVC Holdco (individually or as a group together with any other Holdco Shareholder(s)) shall also have the right to appoint one Holdco Director representing every 12% of the Holdco Shares in issue that it (individually or as a group together with any other Holdco Shareholder(s)) beneficially owns following the implementation of the Proposal. CVC Holdco does not intend to appoint any NBBL Directors to the Holdco Board with the Holdco Shares it beneficially holds following the implementation of the Proposal.

Please refer to paragraph 6 headed “Share Capital of Holdco and Capital, Dividends and Voting Rights of Holdco Shares” in Appendix III on pages III-8 to III-12 of this document for further information on the Holdco Shares.

14. FURTHER INFORMATION ON HOLDCO AND BIDCO

As at the Latest Practicable Date, the authorised and issued share capital of Holdco are as follows:

Authorised	<i>US\$</i>
10,000,000 Holdco Ord Shares of US\$0.01 each	100,000
490,000,000 Holdco Pref Shares of US\$0.01 each	<u>4,900,000</u>
Total	<u>5,000,000</u>
Issued and fully paid	
1 Holdco Ord Share of US\$0.01 each	<u>0.01</u>
Total	<u>0.01</u>

As at the Latest Practicable Date, the authorised and issued share capital of Bidco are as follows:

Authorised	<i>US\$</i>
5,000,000 Bidco Shares of US\$0.01 each	<u>50,000</u>
Issued and fully paid	
1 Bidco Share of US\$0.01 each	<u>0.01</u>

As at the Latest Practicable Date, there are no options, warrants or conversion rights affecting any Holdco Shares or any Bidco Shares.

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15. BIDCO'S INTENTION REGARDING NBBL

The Bidco Directors have stated that following implementation of the Proposal, the Offeror Group intends that the NBBL Group will continue to carry on its current business of manufacturing and selling of skin care, beauty and aromatherapeutic products, the provision of skin treatments, beauty and spa services, skin care consulting and beauty training.

The Offeror Group has no plans, in the event the Scheme becomes effective, to (i) make any major changes to the business of NBBL including the redeployment of the assets of the NBBL Group; or (ii) discontinue the employment of the employees of the NBBL Group.

The Bidco Directors have stated that Bidco intends to hold its shares in NBBL following the Effective Date for at least 3 to 5 years. The Bye-Laws also provide that it is the intention of Holdco Shareholders to ensure that Holdco completes a Sale, a Listing or an Asset Sale within five years from 9 November 2008, being the date of the first amendment and restatement of the Bye-Laws, and in the event Listing is not achieved within three years from such date, the Holdco Shareholders will procure that Holdco effects a leveraged recapitalisation by raising new debt to perform a repatriation of capital to Holdco Shareholders.

16. INTERESTS OF DIRECTORS IN THE SCHEME AND EFFECTS THEREON

The table below shows the NBBL Directors' interests in NBBL Shares as at the Latest Practicable Date.

Shareholders	Nature of interest	Number of NBBL Shares owned ('000)	% of the total issued share capital (rounded up to the nearest four decimal places)
Dr. Tsai Yen-Yu	Interest of controlled companies ^(a)	838,530	41.9131
Mr. Lee Ming Ta	Interest of his spouse ^(b)	838,530	41.9131
Dr. Su Chien Cheng	Interest of controlled companies ^(c)	236,580	11.8252
Dr. Su Sh Hsyu	Interest of controlled companies ^(d)	236,580	11.8252

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Notes:

- (a) Dr. Tsai Yen-Yu is the beneficial owner of the entire issued share capital of Knightcote Enterprises Limited, which in turns beneficially owns the entire issued share capital of Efficient Market, and is therefore deemed to be interested in the 838,530,000 NBBL Shares held by Efficient Market.
- (b) Mr. Lee Ming Ta is the spouse of Dr. Tsai Yen-Yu and is therefore deemed to be interested in the 838,530,000 NBBL Shares that Dr. Tsai Yen-Yu is deemed to be interested in.
- (c) Dr. Su Chien Cheng is the beneficial owner of the entire issued share capital of Beautivalue Holdings Limited, which in turns beneficially owns the entire issued share capital of Adventa Group, and is therefore deemed to be interested in the 236,580,000 NBBL Shares held by Adventa Group.
- (d) Dr. Su Sh Hsyu is the beneficial owner of the entire issued share capital of Colour Shine Holdings Limited, which in turns beneficially owns the entire issued share capital of Fortune Bright, and is therefore deemed to be interested in the 236,580,000 NBBL Shares held by Fortune Bright.

Save for the interests shown in the table above, none of the NBBL Directors are interested in NBBL Shares or NBBL Options or other securities in NBBL.

At the Latest Practicable Date, Citibank N.A., an affiliate of Citi, held 5,535,400 NBBL Shares on behalf of its clients as custodian representing approximately 0.28% of the issued share capital of NBBL. As Citibank N.A. is not the beneficial owner of and do not have discretionary management of the NBBL Shares so held by it and is holding such NBBL Shares on behalf of its clients as custodian, such NBBL Shares constitute Disinterested Scheme Shares. Save as disclosed above, neither the Offeror Group Companies nor persons acting in concert with Bidco owns or controls any NBBL Shares, NBBL Options or any convertible securities, warrants, options or derivatives in respect of the NBBL Shares. Neither NBBL nor persons acting in concert with it owns or controls any Bidco Shares, Holdco Shares or any convertible securities, warrants, options or derivatives in respect of the Bidco Shares or Holdco Shares.

17. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with an equivalent number of new NBBL Shares being issued to Bidco) and the share certificates for Scheme Shares will thereafter cease to have effect as evidence of title, and the register of members of NBBL will be updated to reflect the same. Bidco will apply to the Stock Exchange for the withdrawal of the listing of NBBL Shares on the Stock Exchange immediately following the Effective Date. Dealings in NBBL Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Friday, 13 March 2009, and the listing of NBBL Shares on the Stock Exchange is expected to be withdrawn at 9:30 a.m. on Monday, 30 March 2009 pursuant to Rule 6.15(2) of the Listing Rules. NBBL Shareholders will be notified by way of an announcement of the exact date on which the Scheme and the withdrawal of the listing of NBBL Shares on the Stock Exchange will become effective. The Scheme will lapse if it does not become effective on or before 31 March 2009 (or such later date as Bidco and NBBL may agree in writing and the Grand Court may allow), and NBBL Shareholders will be notified by way of an announcement accordingly.

The listing of NBBL Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

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18. REGISTRATION, PAYMENT AND DESPATCH OF HOLDCO SHARE CERTIFICATES

In order to determine entitlements of NBBL Shareholders to attend the Court Meeting and the Extraordinary General Meeting, it is proposed that the register of members of NBBL will be closed from Tuesday, 24 February 2009 to Thursday, 26 February 2009 (both days inclusive), or such other date as may be notified to NBBL Shareholders by announcement. NBBL Shareholders, the transferees of NBBL Shares or their successors in title should ensure that their NBBL Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, before 4:30 p.m. on Monday, 23 February 2009.

In the event that the Scheme becomes effective, payment of the consideration for the Scheme Shares, will be made to the Scheme Shareholders in accordance with the timetable and the terms of the Scheme. All existing certificates representing the Scheme Shares will cease to have effect as evidence of title as from 18 March 2009. In order to determine entitlements under the Scheme, it is further proposed that the register of members of NBBL will be closed from Thursday, 19 March 2009 to Thursday, 26 March 2009 (both days inclusive), or such other date as may be notified to NBBL Shareholders by announcement. NBBL Shareholders, the transferees of NBBL Shares or their successors in title should ensure that their NBBL Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, before 4:30 p.m. on Wednesday, 18 March 2009.

Assuming that the Scheme becomes effective on Friday, 27 March 2009 (date in the Cayman Islands), (i) cheques for cash entitlements to those who elect the Cash Alternative, (ii) cheques for cash entitlements and share certificates for Holdco Shares to those who elect for the Private Holdco Shares Alternative, and (iii) cheques for cash entitlements to NBBL Optionholders who accept the Option Proposal, are expected to be despatched on or before Monday, 6 April 2009.

In the absence of any specific instructions to the contrary received in writing by Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, cheques and share certificates for Holdco Shares will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of NBBL in respect of the joint holding, as it appears in the register of members of NBBL on the Record Date. All such cheques and share certificates will be sent at the risk of the person(s) entitled thereto and the Offeror Group, NBBL and Citi or any of them will not be responsible for any loss or delay in despatch.

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Beneficial Owners should note if you hold NBBL Shares through a nominee (including but not limited to HKSCC Nominees Limited) and elect to receive the Private Holdco Shares Alternative, the Holdco Shares to be issued to you as Cancellation Consideration will be issued in the name of the Registered Owner for subsequent transfer to you. As Holdco Shares will not become eligible securities in CCASS, you are required to instruct your securities dealer/custodian bank to withdraw the Holdco Shares from CCASS and arrange for the transfer of those shares into your own name, or some other nominee on your behalf, as soon as possible thereafter. NBBL Shareholders will be notified by way of an announcement with details of the transfer agent to be appointed by Holdco and the procedures for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected to receive the Private Holdco Shares Alternative. The fees to be incurred in respect of the initial cancellation and issue of the certificate for the Holdco Shares which are payable to the transfer agent in connection with such initial transfer of Holdco Shares shall be borne by Bidco and/or Holdco.

NBBL Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, Bidco shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in NBBL's name with a licensed bank in Hong Kong selected by NBBL.

NBBL shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon, to persons who satisfy NBBL that they are respectively entitled thereto, provided that such cheques referred to in this paragraph of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Bidco shall be released from any further obligation to make any payments under the Scheme and NBBL shall thereafter transfer to Bidco the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

Any certificates of Holdco Shares posted to the Scheme Shareholders pursuant to paragraph 4(f) of the Scheme which have been returned or undelivered will be cancelled. The share registrar of Holdco may at any time thereafter issue new share certificates in respect of such Holdco Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such Holdco Shares, subject to the payment of any expenses.

Settlement of the consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco or NBBL may otherwise be, or claim to be, entitled against any Scheme Shareholders.

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19. OVERSEAS NBBL SHAREHOLDERS AND OVERSEAS NBBL OPTIONHOLDERS

This document has been prepared for the purpose of complying with the applicable laws, rules and regulations of the Cayman Islands and Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this document has been prepared in accordance with the laws of any other jurisdiction.

This document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to the document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this document, and the making of the Proposal and the Option Proposal to and acceptance of the Proposal and the Option Proposal by persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas NBBL Shareholders and any overseas NBBL Optionholders wishing to accept the Proposal (including the election of the Cash Alternative or the Private Holdco Shares Alternative) and the Option Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such overseas NBBL Shareholders and overseas NBBL Optionholders will be deemed to constitute a representation and warranty from such persons to NBBL and the Offeror Group Companies that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisers.

20. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

No stamp duty is payable in relation to the offer price under the Option Proposal.

The NBBL Shareholders and NBBL Optionholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal and/or the Option Proposal and in particular, whether the receipt of the Cancellation Consideration would make such NBBL Shareholder and/or NBBL Optionholder liable to taxation in Hong Kong or in other jurisdictions.

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21. COURT MEETING AND THE EXTRAORDINARY GENERAL MEETING

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification). The Scheme will be subject to the approval by the NBBL Shareholders at the Court Meeting in the manner referred to in paragraph 3 headed “Conditions of the Proposal” in this Explanatory Statement on pages 82 to 86 of this document. The resolution approving the Scheme will effectively be passed at the Court Meeting if a majority in number of Disinterested Scheme Shareholders (present and voting either in person or by proxy) representing not less than three-fourths in value of the Disinterested Scheme Shares being voted vote in favour of the resolution. NBBL Shareholders who are not Disinterested Scheme Shareholders shall, in compliance with the Takeovers Code, abstain from voting at the Court Meeting. For the avoidance of doubt, Citibank N.A. will be entitled to vote at the Court Meeting upon receiving instructions from its clients in respect of any NBBL Shares held by it as custodian on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of.

In addition, the Scheme will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all NBBL Shares held by Disinterested Scheme Shareholders. As at the Latest Practicable Date, Disinterested Scheme Shareholders other than the Offeror Group Companies and any other persons acting in concert with Bidco held in aggregate 2,000,639,430 NBBL Shares. 10% of the votes attached to all NBBL Shares held by Disinterested Scheme Shareholders represent 200,063,943 NBBL Shares as at the Latest Practicable Date.

Immediately following the Court Meeting, the Extraordinary General Meeting will be held by the purpose of considering and, if thought fit, passing a special resolution to approve the Reduction resulting from the cancellation of the Scheme Shares, approve the immediate increase of NBBL’s issued share capital to its former level, and approve the application of the credit arising in NBBL’s books of accounts as a result of the Reduction in paying up in full and issuing to Bidco such number of new NBBL Shares as is equal to the number of Scheme Shares cancelled.

The Committed Shareholders have pursuant to the Irrevocable Undertakings undertaken to vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction at the Extraordinary General Meeting in respect of the Committed Shares (which represent approximately 65.56% of the fully diluted issued share capital of NBBL).

NBBL Shareholders are urged to have their names entered in the register of members of NBBL as soon as possible for, inter alia, the following reasons:

- (a) to enable NBBL Shareholders other than persons acting in concert with Bidco (but including, for the avoidance of doubt, Citibank N.A. in its capacity as a custodian of NBBL Shares held on behalf of its clients who are beneficial owners thereof and who control the entire voting rights attaching thereto and

EXPLANATORY STATEMENT

of which Citibank N.A. does not have discretionary management of) to attend the Court Meeting as required under section 86 of the Companies Law in their capacity as members of NBBL or to be represented by proxies to be appointed by them;

- (b) to enable NBBL to properly classify members of NBBL for the purposes of section 86 of the Companies Law; and
- (c) to enable NBBL, Bidco and Holdco to make arrangements to effect (i) payments by way of the delivery of cheques to the Scheme Shareholders who will receive the Cash Alternative and (ii) payments by way of the delivery of cheques and the delivery of documents of title in respect of Holdco Shares to Scheme Shareholders who elect the Private Holdco Shares Alternative. All deliveries of cheques required for making payment in respect of the Scheme Shares as aforesaid shall be effected by duly posting the same in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of NBBL at the Record Time.

No person shall be recognised by NBBL as holding any NBBL Shares upon any trust. Any Beneficial Owner whose NBBL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the NBBL Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. A Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the Extraordinary General Meeting and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the Extraordinary General Meeting shall be in accordance with all relevant provisions in the articles of association of NBBL. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

Any Beneficial Owner whose NBBL Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such NBBL Shares with, other CCASS participants regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by Investor Participants and other CCASS participants with respect to NBBL Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures".

EXPLANATORY STATEMENT

Notice of the Court Meeting is set out on pages N-1 to N-2 of this document. A form of proxy in respect of the Court Meeting is enclosed with this document. The Court Meeting will be held on Thursday, 26 February 2009 at the time specified in the notice of the Court Meeting at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong.

Notice of the Extraordinary General Meeting is set out on pages EGM-1 to EMG-2 of this document. A form of proxy in respect of the Extraordinary General Meeting is enclosed with this document. The Extraordinary General Meeting will be held on Thursday, 26 February 2009 at the time specified in the notice of the Extraordinary General Meeting at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong or immediately after the conclusion or adjournment of the Court Meeting, whichever is the later.

22. DEMAND FOR POLL AT THE EXTRAORDINARY GENERAL MEETING

Pursuant to the article 81 of the articles of association of NBBL, a poll may be demanded in relation to any resolution put to the vote of the EGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting; or
- (b) by at least five NBBL Shareholders present in person or by proxy and entitled to vote; or
- (c) any NBBL Shareholder or NBBL Shareholders present in person or by proxy or, in the case of an NBBL Shareholder being a corporation, by its duly authorized representative and representing in the aggregate of not less than one-tenth of the total voting rights of all NBBL Shareholders having the right to attend and vote at the meeting; or
- (d) any NBBL Shareholder or NBBL Shareholders present in person or by proxy or, in the case of an NBBL Shareholder being a corporation, by its duly authorised representative and holding NBBL Shares conferring a right to vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all NBBL Shares conferring that right.

In any event, voting at the Court Meeting and at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

EXPLANATORY STATEMENT

23. ACTION TO BE TAKEN

NBBL Shareholders

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them with Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 11:00 a.m. on Tuesday, 24 February 2009 and the white form of proxy for use at the Extraordinary General Meeting should be lodged not later than 11:30 a.m. on Tuesday, 24 February 2009. The pink form of proxy in respect of the Court Meeting may be returned by facsimile at number (852) 2368 3434 (marked for the attention of the “Company Secretary”) not later than 11:00 a.m. on Tuesday, 24 February 2009. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited. The completion and return of a form of proxy for the Court Meeting or the Extraordinary General Meeting will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

NBBL Shareholders should also note that should they not appoint a proxy or not attend and vote at the Court Meeting, they would still be bound by the outcome of such Court Meeting.

An announcement will be made by NBBL no later than 7:00 p.m. on Thursday, 26 February 2009 in relation to the results of the Court Meeting and the Extraordinary General Meeting and if the Scheme and the Reduction are approved by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, the announcement shall also include details of the last day of dealings in NBBL Shares on the Stock Exchange and the Record Date. In addition, an announcement will be made on or about Sunday, 29 March 2009 on the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date and the date of the withdrawal of the listing of NBBL Shares on the Stock Exchange. Based on the current timetable, the latest time for dealing in NBBL Shares will be 4:10 p.m. on Friday, 13 March 2009 and the Record Time will be 4:30 p.m. on Thursday, 26 March 2009.

For the purpose of determining the entitlements of NBBL Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting, the register of members of NBBL will be closed from Tuesday, 24 February 2009 to

EXPLANATORY STATEMENT

Thursday, 26 February 2009 (both days inclusive) and during such period, no transfer of NBBL Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 23 February 2009.

An election as to the form of Cancellation Consideration may be made by the holders of Scheme Shares in connection with their respective shareholdings in NBBL, and Scheme Shareholders shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised officer) in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two) registered under their names at the Record Time, and deliver the duly completed and executed Election Form to Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than the Record Time or such later date and time as may be notified through announcement. No such election shall be valid (and therefore the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects.

FOR THE AVOIDANCE OF DOUBT, THE ELECTION FORM IS NOT FOR USE (AS A FORM OF PROXY OR OTHERWISE) AT THE COURT MEETING AND THE EGM, WHICH ARE FOR THE PURPOSE OF CONSIDERING AND, IF THOUGHT FIT, APPROVING THE SCHEME AND REDUCTION RESPECTIVELY. THE ELECTION FORM IS FOR NBBL SHAREHOLDERS TO ELECT THE PRIVATE HOLDCO SHARES ALTERNATIVE SHOULD THEY WISH TO DO SO. THIS ELECTION MAY BE MADE AT ANY TIME UP TO THE RECORD TIME (OR SUCH LATER DATE AND TIME AS MAY BE NOTIFIED THROUGH ANNOUNCEMENT). THE ELECTION IS SUBJECT TO THE SCHEME BEING SANCTIONED AND BECOMING EFFECTIVE.

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. An Election Form shall be irrevocable and incapable of being withdrawn unless NBBL expressly consents in writing to such withdrawal or revocation. NBBL shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and therefore the relevant Scheme Shareholder will receive the Cash Alternative). In addition, NBBL shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that NBBL in its absolute discretion considers the omissions or errors to be immaterial. NBBL shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

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Any NBBL Shareholder (i) who has not returned an Election Form as described above before the Record Time or such later date and time as may be notified through announcement or, (ii) who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme, will receive the Cash Alternative.

If you have sold or transferred all or part of your NBBL Shares, you should at once hand this document and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from Hong Kong Registrars Limited, the share registrar of NBBL, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at any time before the Record Time.

Any NBBL Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or Private Holdco Shares Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Record Time.

NBBL SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNER OF NBBL SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BY PERSON OR BY COUNSEL AT THE COURT HEARING ON FRIDAY, 27 MARCH 2009 (DATE IN THE CAYMAN ISLANDS) AT WHICH NBBL WILL SEEK THE SANCTION OF THE SCHEME.

NBBL Optionholders

Once the Scheme is approved by the relevant NBBL Shareholders at the Court Meeting and the Reduction is approved at the EGM, an Option Exercise Notice will be sent to each NBBL Optionholder, as soon as practicable and pursuant to the terms and conditions of the NBBL Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their NBBL Options (whether or not these have otherwise vested and become exercisable) at any time up to the Option Cut-Off Time by giving notice in writing (in the form appended to the Option Proposal Letter) to NBBL, at Unit 3512, 35/F, The Center, 99 Queen’s Road Central, Central, Hong Kong (marked for the attention of the “Company Secretary”), together with the certificate for such NBBL Options and, where necessary pursuant to the terms of grant of the NBBL Options, payment for the aggregate amount of the exercise price of such NBBL Options multiplied by the number of NBBL Shares to be issued pursuant to the exercise of such NBBL Options.

EXPLANATORY STATEMENT

Bidco is making the Option Proposal during the Option Proposal Offer Period to the NBBL Optionholders to cancel all their outstanding NBBL Options. The Option Proposal is conditional upon the Scheme becoming effective and binding. In order to accept the Option Proposal, each NBBL Optionholder will be required to duly complete the form of acceptance (appended to the Option Proposal Letter) in accordance with the instructions contained therein and to return it to NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong (marked for the attention of the "Company Secretary"), during the Option Proposal Offer Period.

24. COSTS OF THE SCHEME

The costs of the Scheme and of its implementation incurred by NBBL are expected to amount to approximately HK\$14 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

Pursuant to the Implementation Agreement, Bidco and NBBL have agreed that they will each pay its own costs and expenses relating to negotiation, preparation, execution and implementation by it of the Implementation Agreement, provided that in the event that the Scheme is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the Independent Board Committee and is not approved at the Court Meeting, all the expenses incurred by NBBL in connection with the Scheme shall be borne by Bidco.

25. RECOMMENDATION

Your attention is drawn to the following:

- (i) paragraph 13 headed "Recommendation" in the "Letter from the NBBL Board" set out on page 33 of this document;
- (ii) the letter from the Independent Board Committee set out on pages 35 to 36 of this document; and
- (iii) the letter from Somerley, the independent financial advise to the Independent Board Committee set out on pages 37 to 76 of this document.

26. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

I. THREE-YEAR FINANCIAL INFORMATION

Set out below is the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of NBBL (the “Company”) and its subsidiaries (the “Group”) for each of the three years ended 31 December 2005, 31 December 2006 and 31 December 2007, and the six months ended 30 June 2008 and the consolidated balance sheets as at 31 December 2005, 31 December 2006 and 31 December 2007, and the six months ended 30 June 2008 which are reproduced from the published financial statements of the Group for the periods then ended. From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Accounting Standards. The auditor’s reports (prepared by Deloitte Touche Tohmatsu, Certified Public Accountants) in respect of the Group’s financial statements for each of the three years ended 31 December 2005, 31 December 2006 and 31 December 2007 did not contain any qualifications. Certain disclosure notes which were not available in the 2005 audited financial statements of the Group due to the adoption of new accounting standards effective from the accounting years of 2007 and onwards, have been reproduced in the three-year financial information. The consolidated income statements, consolidated statements of changes in equity, consolidated cash flow statements and consolidated balance sheets are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The consolidated income statements of the Group set out in the financial information on the Group in Appendix I to this document does not contain extraordinary items, exceptional items or minority interests.

Statement of Indebtedness

As at the Latest Practicable Date, save as a bank guarantee granted by Industrial and Commercial Bank of China Limited (“ICBC”) at the request of a subsidiary of NBBL to Venetian Cotai Limited in respect of the subsidiary’s legal and contractual obligations under an agreement entered into between Venetian Cotai Limited and the subsidiary granting a right of use of a shop in the Grand Canal Shoppes at the Venetian Macao in respect of Shop 2128 which guarantees a maximum amount of up to HKD428,220.00, which is backed by a bank deposit in the same amount with ICBC, none of NBBL or its subsidiary has any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other contingent liabilities.

Material Changes

Due to the increasing pressures seen in the overall PRC and Taiwan economy and in consumer spending as well as the negative growth trends experienced by NBBL Group in recent months, the NBBL Directors note that (i) the turnover of NBBL Group from the PRC and Taiwan (the "Greater China Turnover") in aggregate for the second half of 2008 decreased by approximately 12% as compared to that of the first half of 2008; (ii) the Greater China Turnover in the month of November 2008 was lower than that of the month of November 2007, which contributed to a lower aggregate Greater China Turnover for the fourth quarter of 2008 as compared to that of the fourth quarter of 2007; and (iii) the growth rate of the Greater China Turnover for the second half of 2008 compared against the second half of 2007 was lower than the growth rate of the Greater China Turnover for the first half of 2008 compared against the first half of 2007. In addition, the PRC's introduction of the new Unified Enterprise Tax Law (the "New Law") became effective on 1 January 2008. Prior to the New Law, dividends paid to foreign investors are exempted from withholding tax. Under the New Law, certain NBBL subsidiaries will be subject to 5% to 10% withholding tax on dividends paid to intermediate holding companies incorporated outside the PRC within NBBL Group. As a result, additional tax will be payable in 2009 by NBBL Group in the PRC for dividends declared in respect of the year ending 31 December 2008. Going forward, additional tax will continue to be payable by NBBL Group in the PRC if and when dividends are declared.

In spite of the above, the Greater China Turnover for the whole year of 2008 increased as compared to that of the whole year of 2007 mainly due to the strong performance in the PRC and Taiwan in the first half of 2008.

Save as disclosed above and in the interim report of NBBL for the six months ended 30 June 2008, the NBBL Directors confirm that there are no material changes in the financial or trading position or outlook of NBBL Group since 31 December 2007, the date to which the latest audited consolidated financial statements of NBBL Group were made up.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Consolidated Income Statement

For the year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	5	450,147	363,746	357,916
Cost of sales		<u>(77,573)</u>	<u>(68,725)</u>	<u>(73,309)</u>
Gross profit		372,574	295,021	284,607
Other income	7	32,461	47,323	43,135
Distribution and selling costs		(117,937)	(101,383)	(127,655)
Administrative expenses		(74,536)	(59,450)	(61,961)
Other expenses		(4,247)	(6,881)	(18,221)
Share of loss of an associate		(373)	(172)	(60)
Share of profit (loss) of a jointly controlled entity		<u>87</u>	<u>(5)</u>	<u>–</u>
Profit before taxation	8	208,029	174,453	119,845
Income tax expense	11	<u>(29,248)</u>	<u>(51,641)</u>	<u>(38,834)</u>
Profit for the year		<u><u>178,781</u></u>	<u><u>122,812</u></u>	<u><u>81,011</u></u>
Attributable to:				
Equity holders of the Company		178,707	123,198	81,092
Minority interests		<u>74</u>	<u>(386)</u>	<u>(81)</u>
		<u><u>178,781</u></u>	<u><u>122,812</u></u>	<u><u>81,011</u></u>
Dividends	12	<u><u>185,000</u></u>	<u><u>80,000</u></u>	<u><u>61,000</u></u>
Earnings per share	13			
Basic		<u><u>8.9 cents</u></u>	<u><u>6.2 cents</u></u>	<u><u>4.1 cents</u></u>
Dividends per share		<u><u>15.0 cents</u></u>	<u><u>6.3 cents</u></u>	<u><u>3.3 cents</u></u>

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Consolidated Balance Sheet

At 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets				
Investment properties	14	4,544	162,228	159,653
Property, plant and equipment	15	218,025	173,479	178,725
Prepaid lease payments	16	9,516	9,119	9,039
Intangible assets	17	–	–	927
Goodwill	18	24,562	23,207	13,898
Interest in an associate	19	–	373	545
Interest in a jointly controlled entity	20	–	353	–
Available-for-sale investments	21	9,126	6,786	6,786
Deferred taxation assets	31	7,550	9,437	4,716
		273,323	384,982	374,289
Current assets				
Inventories	22	71,017	63,573	56,477
Trade and other receivables	23	98,971	164,905	141,229
Prepaid lease payments	16	262	244	236
Held-for-trading investments	24	–	27,713	26,491
Bank balances and cash	25	588,741	356,243	338,748
		758,991	612,678	563,181
Current liabilities				
Trade and other payables	26	90,308	70,198	82,041
Deferred income	27	9,763	9,336	8,489
Taxation payable		4,693	27,638	15,753
		104,764	107,172	106,283
Net current assets		654,227	505,506	456,898
Total assets less current liabilities		927,550	890,488	831,187
Non-current liability				
Retirement benefit obligations	28	11,899	11,317	10,890
		915,651	879,171	820,297

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP				
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	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Capital and reserves				
Share capital	29	200,000	200,000	200,000
Reserves		<u>709,626</u>	<u>678,739</u>	<u>613,511</u>
Equity attributable to equity holders of the Company		909,626	878,739	813,511
Minority interests		<u>6,025</u>	<u>432</u>	<u>6,786</u>
Total equity		<u><u>915,651</u></u>	<u><u>879,171</u></u>	<u><u>820,297</u></u>

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital	Capital surplus	Share premium	Statutory reserve	Exchange reserve	Share option reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	200,000	42,554	336,758	94,975	4,094	-	135,130	813,511	6,786	820,297
Exchange differences arising from translation of overseas operation and expense recognised directly in equity	-	-	-	-	22,030	-	-	22,030	100	22,130
Profit for the year	-	-	-	-	-	-	123,198	123,198	(386)	122,812
<hr/>										
Total recognised income and expense for the year	-	-	-	-	22,030	-	123,198	145,228	(286)	144,942
Transfer to statutory reserve	-	-	-	11,828	-	-	(11,828)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(5,742)	(5,742)
Dividends paid (note 12)	-	-	-	-	-	-	(80,000)	(80,000)	-	(80,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(326)	(326)
<hr/>										
At 31 December 2006	200,000	42,554	336,758	106,803	26,124	-	166,500	878,739	432	879,171
Exchange differences arising from translation of overseas operation recognised directly in equity	-	-	-	-	37,079	-	-	37,079	(27)	37,052
Profit for the year	-	-	-	-	-	-	178,707	178,707	74	178,781
<hr/>										
Total recognised income and expense for the year	-	-	-	-	37,079	-	178,707	215,786	47	215,833
Transfer to statutory reserve	-	-	-	43,919	-	-	(43,919)	-	-	-
Contribution from minority shareholders	-	-	-	-	-	-	-	-	5,115	5,115
Acquisition of a subsidiary (note 32)	-	-	-	-	-	-	-	-	431	431
Dividends paid (note 12)	-	-	-	-	-	-	(185,000)	(185,000)	-	(185,000)
Recognition of share-based payments	-	-	-	-	-	138	-	138	-	138
Forfeiture of share options	-	-	-	-	-	(37)	-	(37)	-	(37)
<hr/>										
At 31 December 2007	<u>200,000</u>	<u>42,554</u>	<u>336,758</u>	<u>150,722</u>	<u>63,203</u>	<u>101</u>	<u>116,288</u>	<u>909,626</u>	<u>6,025</u>	<u>915,651</u>

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

For the year ended 31 December 2006

	Attributable to equity holders of the Company							Minority interests	Total
	Share capital	Capital surplus	Share premium	Statutory reserve	Exchange reserve	Retained profits	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	200,000	42,554	336,758	78,760	5,644	131,253	794,969	9,662	804,631
Exchange differences arising from translation of overseas operation	-	-	-	-	(1,550)	-	(1,550)	219	(1,331)
Net expense recognised directly in equity	-	-	-	-	(1,550)	-	(1,550)	219	(1,331)
Profit for the year	-	-	-	-	-	81,092	81,092	(81)	81,011
Total income and expense recognised for the year	-	-	-	-	(1,550)	81,092	79,542	138	79,680
Transfer to statutory reserve	-	-	-	16,215	-	(16,215)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(2,709)	(2,709)
Dividends paid (<i>note 13</i>)	-	-	-	-	-	(61,000)	(61,000)	-	(61,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(305)	(305)
At 31 December 2005	200,000	42,554	336,758	94,975	4,094	135,130	813,511	6,786	820,297
Exchange differences arising from translation of overseas operation	-	-	-	-	22,030	-	22,030	100	22,130
Net expense recognised directly in equity	-	-	-	-	22,030	-	22,030	100	22,130
Profit for the year	-	-	-	-	-	123,198	123,198	(386)	122,812
Total recognised income and expense for the year	-	-	-	-	22,030	123,198	145,228	(286)	144,942
Transfer to statutory reserve	-	-	-	11,828	-	(11,828)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(5,742)	(5,742)
Dividends paid (<i>note 13</i>)	-	-	-	-	-	(80,000)	(80,000)	-	(80,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(326)	(326)
At 31 December 2006	<u>200,000</u>	<u>42,554</u>	<u>336,758</u>	<u>106,803</u>	<u>26,124</u>	<u>166,500</u>	<u>878,739</u>	<u>432</u>	<u>879,171</u>

SHARE PREMIUM

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

STATUTORY RESERVE

According to the laws and regulations of the People's Republic of China ("PRC"), the PRC companies with foreign investment are required to transfer a certain percentage of its profit after taxation, as determined under PRC accounting regulations (the "net profit under PRC generally accepted accounting principles ("PRC GAAP")), to the general reserve fund, enterprise expansion fund and staff and workers' bonus and welfare fund. Distribution of these reserves shall be made in accordance with the Article of Association and approved by the board of directors each year. Other PRC companies are required to transfer a certain percentage of their net profit under PRC GAAP to the statutory surplus reserve fund until the reserve balance reaches 50% of their paid-in capital, and to transfer a certain percentage of its net profit under PRC GAAP to the statutory public welfare fund.

According to the laws and regulations of Taiwan, Taiwan companies shall set aside 10% of their statutory net income each year for legal reserve, until the reserve balance has reached the paid-in share capital amount.

These above-mentioned reserves and funds cannot be used for purposes other than those for which they were created and are not distributable as cash dividends.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating Activities			
Profit before taxation	208,029	174,453	119,845
Adjustments for:			
Interest income	(6,754)	(4,321)	(3,297)
Depreciation of property, plant and equipment	17,522	20,815	24,666
(Gain) loss on disposal of property, plant and equipment	(858)	601	3,881
Gain on disposal of an associate	(1,024)	–	–
Gain on disposal of investment properties	(1,199)	–	–
Release of prepaid lease payments	252	239	236
Write off of intangible assets	–	–	325
Realised and unrealised gain of held-for-trading investments	(4,102)	(2,476)	(2,563)
Gain on acquisition of additional interest in a subsidiary	–	–	(2,709)
Increase in fair value of investment properties	(50)	(320)	(4,477)
Impairment loss on goodwill	–	–	3,192
Amortisation of intangible assets	–	939	915
(Written back) allowance for obsolete inventories	(1)	1,317	8,463
Impairment loss on trade receivables	2,185	1,240	3,311
Share of loss of an associate	373	172	60
Share-based payments	101	–	–
Share of (profit) loss of a jointly-controlled entity	(87)	5	–
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	214,387	192,664	151,848
Increase in inventories	(7,443)	(8,413)	(9,214)
Decrease (increase) in trade and other receivables	65,132	(24,916)	(14,806)
Decrease in held-for-trading investments	31,815	1,628	70,450
Increase (decrease) in trade and other payables	19,604	(11,843)	21,881
Increase (decrease) in deferred income	427	847	(683)
Increase in defined benefit obligations	582	427	725
	<hr/>	<hr/>	<hr/>
Cash generated from operations	324,504	150,394	220,201
Overseas tax paid	(50,306)	(44,242)	(39,248)
	<hr/>	<hr/>	<hr/>
Net cash from operating activities	274,198	106,152	180,953

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Investing activities				
Proceeds on disposal of investment properties		158,056	–	–
Interest received		6,754	4,321	3,297
Proceeds from disposal of property, plant and equipment		2,732	65	2,088
Proceeds on disposal of an associate		1,024	–	
Purchase of property, plant and equipment		(53,778)	(11,265)	(24,897)
Acquisition of available for sale investment		(2,340)	–	–
Acquisition of a subsidiary	32	(6)	–	–
Acquisition of additional interests in subsidiaries		–	(14,520)	–
Investment in a jointly-controlled entity		–	(358)	–
		<u>112,442</u>	<u>(21,757)</u>	<u>(19,512)</u>
Net cash from (used in) investing activities				
Financing activities				
Dividends paid		(185,000)	(80,000)	(61,000)
Contribution from minority shareholders		5,115	–	–
Dividends paid to minority shareholders of subsidiaries		–	(326)	(305)
		<u>(179,885)</u>	<u>(80,326)</u>	<u>(61,305)</u>
Net cash used in financing activities				
Net increase in cash and cash equivalents		206,755	4,069	100,136
Cash and cash equivalents at beginning of the year		356,243	338,748	235,920
Effect of foreign exchange rate changes		<u>25,743</u>	<u>13,426</u>	<u>2,692</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash		<u><u>588,741</u></u>	<u><u>356,243</u></u>	<u><u>338,748</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company was incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 March 2002. Its ultimate holding company and immediate holding company are Knightcote Enterprises Limited and Efficient Market Investments Limited, respectively, and both were incorporated in British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company acts as an investment holding company. The Group is principally engaged in (a) manufacturing and selling of skin care, beauty and aromatherapeutic products and (b) provision of skin treatments, beauty and spa services and skin care consulting and beauty training. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7, retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative informative based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ³
HK(IFRIC)-Int 12	Service Concession Arrangements ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 March 2007

⁴ Effective for annual periods beginning on or after 1 January 2008

⁵ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in subsidiaries is measured at the carrying amounts of identified assets and liabilities of the subsidiary and any excess of the consideration over the cost of net assets acquired are accounted for as goodwill.

Goodwill*Goodwill arising on acquisitions prior to 1 January 2005*

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been

allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interest in associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided. Payments that are related to service not yet rendered are deferred and shown as deferred income in consolidated balance sheet.

Entrustment fees arising from arrangements for third party operators to operate the same business as the Group are recognised in the consolidated income statement in equal instalments over the entrustment periods.

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Interest income from a financial asset, excluding financial assets at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account the estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Operating lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

Retirement benefits costs

Payments to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the People's Republic of China (the "PRC") municipal government retirement scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprises financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including trade and other receivables and bank balances, are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investment.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at financial asset at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from one to six months, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Share-based payment transactions*Equity-settled share-based payment transactions*

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is approximately HK\$24.6 million (2006: HK\$23.2 million). Details of the recoverable amount calculation are set out in note 18.

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5. TURNOVER

Turnover represents (i) the net amounts received and receivables for goods sold by the Group to outside customers and is stated net of sales returns and allowances, (ii) service income from provision of skin treatments, beauty and SPA services and (iii) entrustment fee income for the year, and is analysed as follows:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	430,416	334,560	322,847
Service income	16,914	24,482	29,814
Entrustment fee income	2,817	4,704	5,255
	450,147	363,746	357,916
	450,147	363,746	357,916

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

The Group's operations are located in the PRC, Taiwan, Hong Kong and Malaysia.

An analysis of the Group's revenue and contribution to segment results and segment assets and liabilities by geographic segments based on customers location, irrespective of the origin of the goods/services, is presented below:

	PRC	Taiwan	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended				
31 December 2007				
Turnover	316,808	126,837	6,502	450,147
	316,808	126,837	6,502	450,147
Segment results	174,024	44,732	(5,198)	213,558
	174,024	44,732	(5,198)	213,558
Unallocated expenses				(11,997)
Unallocated income				6,754
Share of loss of an associate				(373)
Share of profit of a jointly controlled entity				87
				87
Profit before taxation				208,029
Income tax expense				(29,248)
				(29,248)
Profit for the year				178,781

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Geographical segments

Consolidated balance sheet

	PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	291,155	131,218	10,666	433,039
Unallocated assets				599,275
Consolidated total assets				1,032,314
Liabilities				
Segment liabilities	58,448	45,728	1,824	106,000
Unallocated liabilities				10,663
Consolidated total liabilities				116,663
Other information				
Capital expenditure	44,821	4,408	4,549	53,778
Depreciation of property, plant and equipment	11,461	4,930	1,131	17,522
Release of prepaid lease payments	252	–	–	252
(Gain) loss on disposal of property, plant and equipment	(884)	(3)	29	(858)
Gain on disposal of investment property	–	(1,199)	–	(1,199)
(Written back) allowance for obsolete inventories	(866)	809	56	(1)
Impairment loss on trade receivables	1,401	784	–	2,185
Increase in fair value of investment property	–	50	–	50
	–	50	–	50

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	PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2006				
Turnover	240,011	114,820	8,915	363,746
Segment results	129,269	51,425	(3,774)	176,920
Unallocated expenses				(9,087)
Unallocated income				6,797
Share of loss of an associate				(172)
Share of loss of a jointly controlled entity				(5)
Profit before taxation				174,453
Income tax expense				(51,641)
Profit for the year				122,812
Assets				
Segment assets	309,616	273,694	5,824	589,134
Interest in an associate	373	–	–	373
Interest in a jointly controlled entity	–	353	–	353
Unallocated assets				407,800
Consolidated total assets				997,660
Liabilities				
Segment liabilities	39,879	41,605	5,305	86,789
Unallocated liabilities				31,700
Consolidated total liabilities				118,489
Other information				
Capital expenditure	8,794	2,142	329	11,265
Depreciation of property, plant and equipment	13,461	6,581	773	20,815
Release of prepaid lease payments	239	–	–	239
Loss on disposal of property, plant and equipment	139	–	462	601
Amortisation of intangible assets	939	–	–	939
Allowance for obsolete inventories	1,027	–	290	1,317
Impairment loss on trade receivables	1,171	69	–	1,240
Increase in fair value of investment property	–	320	–	320

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	PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2005				
Turnover	213,915	137,358	6,643	357,916
Segment results	85,485	49,824	(14,768)	120,541
Unallocated expenses				(6,496)
Unallocated income				5,860
Share of loss of an associate				(60)
Profit before taxation				119,845
Income tax expense				(38,834)
Profit for year				81,011
Assets				
Segment assets	273,470	273,189	7,167	553,826
Interest in an associate	545	–	–	545
Unallocated assets				383,099
Consolidated total assets				937,470
Liabilities				
Segment liabilities	48,786	45,522	3,111	97,419
Unallocated liabilities				19,754
Consolidated total liabilities				117,173
Other information				
Capital expenditure	19,697	2,930	2,270	24,897
Depreciation of property, plant and equipment	16,921	6,831	914	24,666
Impairment loss of goodwill	3,192	–	–	3,192
Write off of intangible assets	325	–	–	325
Release of prepaid lease payments	236	–	–	236
Loss on disposal of property, plant and equipment	1,678	–	2,203	3,881
Amortisation of intangible assets	915	–	–	915
Allowance for obsolete inventories	4,436	2,969	1,058	8,463
Impairment loss on trade receivables	793	43	2,475	3,311

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Business segments

For management purposes, the Group is currently organised into 2 operating divisions – (i) sale of cosmetic products and provision of beauty services and (ii) leasing of investment properties. In the opinion of the directors, the leasing of investment properties are not considered as the principal activity of the Group, and accordingly, the income from this segment is not included as turnover.

An analysis of the Group's turnover by business segments is presented below:

	Turnover			Other income		
	2007	2006	2005	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cosmetic products and beauty services	450,147	363,746	357,916	–	–	–
Investment properties	–	–	–	4,942	6,492	10,303
Others	–	–	–	27,519	40,831	32,832
	<u>450,147</u>	<u>363,746</u>	<u>357,916</u>	<u>32,461</u>	<u>47,323</u>	<u>43,135</u>

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the business segments in which the assets are located:

	Carrying amount of segment assets			Capital expenditure		
	2007	2006	2005	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cosmetic products and beauty services	428,495	426,906	394,173	53,778	11,265	24,897
Investment properties	4,544	162,228	159,653	–	–	–
	<u>433,039</u>	<u>589,134</u>	<u>553,826</u>	<u>53,778</u>	<u>11,265</u>	<u>24,897</u>

7. OTHER INCOME

	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Rental income from investment properties	3,693	6,172	5,826
Rental income from other properties and equipment	3,839	2,713	1,853
Interest income on bank deposits	6,754	4,321	3,297
Financial refunds (<i>note</i>)	9,659	26,506	19,621
Increase in fair value of investment properties	50	320	4,477
Realised and unrealised gain on held-for-trading investment	4,102	2,476	2,563
Gain on acquisition of additional interest in a subsidiary	–	–	2,709
Gain on disposal of an associate	1,024	–	–
Gain on disposal of property, plant and equipment	858	–	–
Gain on disposal of investment property	1,199	–	–
Others	1,283	4,815	2,789
	<u>32,461</u>	<u>47,323</u>	<u>43,135</u>

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Note: Pursuant to the local practice of the finance bureau of the provinces in which certain of the PRC subsidiaries operate, the PRC subsidiaries will receive financial refunds in the form of government grants by way of negotiation with the relevant finance bureau with reference to the percentage of income and other taxes paid. These financial refunds are treated as tax exempted by such finance bureaus. However, the refunds and the tax exemption treatment thereof are subject to review annually. It is therefore uncertain if these subsidiaries will continue to be eligible for such financial refunds and the tax exemption treatment thereof in the future.

8. PROFIT BEFORE TAXATION

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):			
Staff costs:			
– directors' emoluments (<i>note 9</i>)	1,560	2,744	1,089
– other staff costs	71,476	52,347	56,693
Retirement benefits scheme contributions, excluding directors:			
– contributions to defined contribution plan	7,062	5,161	5,047
– expenses recognised in respect of defined benefit plan (<i>note 28</i>)	870	933	944
Share-based payments	101	–	–
	81,069	61,185	63,773
Total staff costs			
Depreciation of property, plant and equipment	17,522	20,815	24,666
Amortisation of intangible assets, included in administrative expenses	–	939	915
	17,522	21,754	25,581
Total depreciation and amortisation			
Release of prepaid lease payments	252	239	236
Impairment loss on goodwill	–	–	3,192
Auditors' remuneration	3,508	2,862	2,622
(Gain) loss on disposal of property, plant and equipment	(858)	601	3,881
Write off of intangible assets	–	–	325
Research and development costs	1,693	1,996	1,306
(Written back) allowance for obsolete inventories	(1)	1,317	8,463
Cost of inventories recognised as expense	77,573	68,725	73,309
Impairment loss on trade receivables	2,185	1,240	3,311
Exchange loss (gain)	180	1,427	(249)
	178,811	155,811	155,811

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9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2006: 7) directors were as follows:

For the year ended 31 December 2007

	Dr. Tsai Yen Yu HK\$'000	Mr. Lee Ming Ta HK\$'000	Dr. Su Chien Cheng HK\$'000	Dr. Su Sh Hsyu HK\$'000	Mr. Yeh Liang Fei HK\$'000	Mrs. Chen Shieh Shu Chen HK\$'000	Mr. Chen Ching HK\$'000	Total 2007 HK\$'000
Fees	1,000	700	600	600	20	20	48	2,988
Other emoluments								
Salaries and other benefits	14	325	292	805	-	-	-	1,436
Contributions to retirement benefits scheme	-	17	15	4	-	-	-	36
Waiver of fees	(1,000)	(700)	(600)	(600)	-	-	-	(2,900)
Total emoluments	14	342	307	809	20	20	48	1,560

For the year ended 31 December 2006

	Dr. Tsai Yen Yu HK\$'000	Mr. Lee Ming Ta HK\$'000	Dr. Su Chien Cheng HK\$'000	Dr. Su Sh Hsyu HK\$'000	Mr. Yeh Liang Fei HK\$'000	Mrs. Chen Shieh Shu Chen HK\$'000	Mr. Chen Ching HK\$'000	Total 2006 HK\$'000
Fees	1,000	700	600	600	20	20	48	2,988
Other emoluments								
Salaries and other benefits	14	325	291	564	-	-	-	1,194
Contributions to retirement benefits scheme	-	6	5	1	-	-	-	12
Waiver of fees	(500)	(350)	(300)	(300)	-	-	-	(1,450)
Total emoluments	514	681	596	865	20	20	48	2,744

For the year ended 31 December 2005

	Dr. Tsai Yen Yu HK\$'000	Mr. Lee Ming Ta HK\$'000	Dr. Su Chien Cheng HK\$'000	Dr. Su Sh Hsyu HK\$'000	Mr. Yeh Liang Fei HK\$'000	Mrs. Chen Shieh Shu Chen HK\$'000	Mr. Chen Ching HK\$'000	Total 2005 HK\$'000
Fees	1,000	700	600	600	20	20	48	2,988
Other emoluments								
Salaries and other benefits	14	326	291	356	-	-	-	987
Contributions to retirement benefits scheme	-	6	6	2	-	-	-	14
Waiver of fees	(1,000)	(700)	(600)	(600)	-	-	-	(2,900)
Total emoluments	14	332	297	358	20	20	48	1,089

For the year ended 31 December 2007, each of the executive directors voluntarily agreed to waive their entitlement to certain remuneration of approximately HK\$2.9 million (2006: HK\$1.5 million).

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10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2006: three) are directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the five (2006: two) individuals were as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Salaries and other benefits	6,223	1,262	1,395
Contributions to retirement benefits scheme	36	44	28
Share-based payment expense	70	–	–
Discretionary and performance related incentive payments	1,545	–	–
	<u>7,874</u>	<u>1,306</u>	<u>1,423</u>
	<u>7,874</u>	<u>1,306</u>	<u>1,423</u>

The emoluments of the five (2006: two) within the following bands:

	2007 Headcount	2006 Headcount	2005 Headcount
HK\$0 – HK\$1,000,000	1	2	3
HK\$1,000,001 – HK\$2,000,000	3	–	–
HK\$3,000,001 – HK\$4,000,000	1	–	–
	<u>1</u>	<u>–</u>	<u>–</u>
	<u>1</u>	<u>–</u>	<u>–</u>

11. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The charge comprises:			
Taxation in PRC and Taiwan			
Current year	26,772	53,983	35,263
Underprovision in prior years	233	2,144	3,635
	<u>27,005</u>	<u>56,127</u>	<u>38,898</u>
Deferred taxation (<i>note 31</i>)			
Current year	1,625	(4,486)	(64)
Change in tax rate	618	–	–
	<u>2,243</u>	<u>(4,486)</u>	<u>(64)</u>
	<u>29,248</u>	<u>51,641</u>	<u>38,834</u>

PRC Enterprise Income Tax are calculated at 27% or 33% of the assessable profit for the year. Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday").

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On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 27% or 33% to 25% for subsidiaries established in the PRC from 1 January 2008. The Tax Holiday will continue on the implementation of the New Law using the preferential tax rate. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Pursuant to the relevant laws and regulations in Taiwan, certain of the Group's Taiwan subsidiaries are eligible to certain tax concessions.

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profit for both years.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation	<u>208,029</u>	<u>174,453</u>	<u>119,845</u>
Tax at domestic rates applicable to profits of taxable entities in the countries concerned	66,429	55,522	38,710
Tax effect of expenses not deductible for tax purpose	9,026	10,555	8,117
Tax effect of income not taxable for tax purpose	(5,769)	(10,273)	(6,518)
Tax effect of tax losses not recognised	4,593	3,324	5,039
Tax effect of tax concession provided to a Taiwan subsidiary	(6,614)	(9,631)	(10,149)
Tax effect of tax exemption granted to a PRC subsidiary	(39,268)	–	–
Underprovision in prior years	233	2,144	3,635
Change in tax rate	<u>618</u>	<u>–</u>	<u>–</u>
Taxation charge for the year	<u>29,248</u>	<u>51,641</u>	<u>38,834</u>

Note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

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12. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Dividend recognised as distribution during the year:			
Interim dividend, paid – HK\$0.030 per share (2006: HK\$0.0140; 2005: HK\$0.0090)	60,000	28,000	18,000
Interim special dividend, paid – HK\$0.020 per share (2006: HK\$0.0060; 2005: HK\$0.0040)	40,000	12,000	8,000
Final dividend, paid – HK\$0.030 per share (2006: HK\$0.020; 2005: HK\$0.0175)	60,000	40,000	35,000
Final special dividend, paid – HK\$0.0125 per share (2006: Nil; 2005: Nil)	25,000	–	–
	<u>185,000</u>	<u>80,000</u>	<u>61,000</u>

The final dividend of HK\$0.0420 (2006: HK\$0.030) per share and a final special dividend of HK\$0.0580 (2006: HK\$0.0125) per share, amounting to approximately HK\$84,000,000 and HK\$116,000,000, respectively, have been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the profit attributable to the equity holders of the Company of HK\$178,707,000 (2006: HK\$123,198,000; 2005: HK\$81,092,000) and on the number of 2,000,000,000 (2006: 2,000,000,000; 2005: 2,000,000,000) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year ended 31 December 2007.

No diluted earnings per share has been presented as the Company has no dilutive potential ordinary shares in issue during the years ended 31 December 2005 and 2006.

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14. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2005	160,459
Exchange realignment	(5,283)
Increase in fair value recognised in the consolidated income statement	4,477
At 31 December 2005	159,653
Exchange realignment	2,255
Increase in fair value recognised in the consolidated income statement	320
At 31 December 2006	162,228
	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2006	159,653
Exchange realignment	2,255
Increase in fair value recognised in the consolidated income statement	320
At 31 December 2006	162,228
Exchange realignment	(877)
Disposal during the year	(156,857)
Increase in fair value recognised in the consolidated income statement	50
At 31 December 2007	4,544

The fair values of the Group's investment properties at 31 December 2007 and 2006 have been arrived at on the basis of a valuation carried out on that date by Messrs. Euro-Asia Real Estate Appraisers Firm and Vigers Landmart Taiwan Limited, respectively, independent qualified professional valuers not connected with the Group. Both Messrs. Euro-Asia Real Estate Appraisers Firm and Vigers Landmart Taiwan Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison approach by reference to market evidence of recent transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above are situated on freehold land outside Hong Kong.

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15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST								
At 1 January 2005	23,818	116,828	65,393	24,965	5,248	48,949	-	285,201
Exchange realignment	-	883	334	504	61	(204)	-	1,578
Additions	-	12,878	5,259	2,506	959	3,295	-	24,897
Disposals	-	-	(12,360)	(1,504)	(518)	(5,085)	-	(19,467)
	<u>23,818</u>	<u>130,589</u>	<u>58,626</u>	<u>26,471</u>	<u>5,750</u>	<u>46,955</u>	<u>-</u>	<u>292,209</u>
At 31 December 2005	23,818	130,589	58,626	26,471	5,750	46,955	-	292,209
Exchange realignment	336	4,135	1,598	992	(542)	1,841	12	8,372
Additions	-	551	6,013	1,060	1,508	1,591	542	11,265
Disposals	-	-	(5,784)	(471)	(596)	(625)	-	(7,476)
	<u>24,154</u>	<u>135,275</u>	<u>60,453</u>	<u>28,052</u>	<u>6,120</u>	<u>49,762</u>	<u>554</u>	<u>304,370</u>
At 31 December 2006	24,154	135,275	60,453	28,052	6,120	49,762	554	304,370
DEPRECIATION								
At 1 January 2005	-	18,153	37,626	15,988	2,914	27,075	-	101,756
Exchange realignment	-	17	247	384	56	(144)	-	560
Provided for the year	-	3,031	11,025	2,366	786	7,458	-	24,666
Eliminated on disposals	-	-	(9,498)	(657)	(345)	(2,998)	-	(13,498)
	<u>-</u>	<u>18,153</u>	<u>37,626</u>	<u>15,988</u>	<u>2,914</u>	<u>27,075</u>	<u>-</u>	<u>101,756</u>
At 31 December 2005	-	21,201	39,400	18,081	3,411	31,391	-	113,484
Exchange realignment	-	632	1,134	752	44	840	-	3,402
Provided for the year	-	3,120	8,918	2,188	675	5,914	-	20,815
Eliminated on disposals	-	-	(5,668)	(350)	(462)	(330)	-	(6,810)
	<u>-</u>	<u>24,953</u>	<u>43,784</u>	<u>20,671</u>	<u>3,668</u>	<u>37,815</u>	<u>-</u>	<u>130,891</u>
At 31 December 2006	-	24,953	43,784	20,671	3,668	37,815	-	130,891
CARRYING VALUES								
At 31 December 2006	24,154	110,322	16,669	7,381	2,452	11,947	554	173,479
At 31 December 2005	23,818	109,388	19,226	8,390	2,339	15,564	-	178,725

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	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST								
At 1 January 2006	23,818	130,589	58,626	26,471	5,750	46,955	-	292,209
Exchange realignment	336	4,135	1,598	992	(542)	1,841	12	8,372
Additions	-	551	6,013	1,060	1,508	1,591	542	11,265
Disposals	-	-	(5,784)	(471)	(596)	(625)	-	(7,476)
	<u>24,154</u>	<u>135,275</u>	<u>60,453</u>	<u>28,052</u>	<u>6,120</u>	<u>49,762</u>	<u>554</u>	<u>304,370</u>
At 31 December 2006	24,154	135,275	60,453	28,052	6,120	49,762	554	304,370
Exchange realignment	132	8,005	2,728	1,940	377	2,219	1,280	16,681
Additions	-	30	9,596	2,032	3,115	9,130	29,875	53,778
Disposals	-	(1,176)	(9,223)	(683)	(2,581)	(1,353)	-	(15,016)
	<u>24,286</u>	<u>142,134</u>	<u>63,554</u>	<u>31,341</u>	<u>7,031</u>	<u>59,758</u>	<u>31,709</u>	<u>359,813</u>
At 31 December 2007	24,286	142,134	63,554	31,341	7,031	59,758	31,709	359,813
DEPRECIATION								
At 1 January 2006	-	21,201	39,400	18,081	3,411	31,391	-	113,484
Exchange realignment	-	632	1,134	752	44	840	-	3,402
Provided for the year	-	3,120	8,918	2,188	675	5,914	-	20,815
Eliminated on disposals	-	-	(5,668)	(350)	(462)	(330)	-	(6,810)
	<u>-</u>	<u>24,953</u>	<u>43,784</u>	<u>20,671</u>	<u>3,668</u>	<u>37,815</u>	<u>-</u>	<u>130,891</u>
At 31 December 2006	-	24,953	43,784	20,671	3,668	37,815	-	130,891
Exchange realignment	-	1,287	1,949	1,500	181	1,600	-	6,517
Provided for the year	-	3,246	7,066	1,677	453	5,080	-	17,522
Eliminated on disposals	-	(463)	(9,223)	(489)	(1,931)	(1,036)	-	(13,142)
	<u>-</u>	<u>29,023</u>	<u>43,576</u>	<u>23,359</u>	<u>2,371</u>	<u>43,459</u>	<u>-</u>	<u>141,788</u>
At 31 December 2007	-	29,023	43,576	23,359	2,371	43,459	-	141,788
CARRYING VALUES								
At 31 December 2007	24,286	113,111	19,978	7,982	4,660	16,299	31,709	218,025
At 31 December 2006	24,154	110,322	16,669	7,381	2,452	11,947	554	173,479

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The carrying values of buildings shown above are situated on:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Land held in the PRC under medium term land use rights	96,930	93,622	92,321
Freehold land in Taiwan	16,181	16,700	17,067
	113,111	110,322	109,388

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rate per annum:

Freehold land	Nil
Buildings	40 – 55 years
Leasehold improvements	The shorter of the unexpired period of the lease and estimated useful life of 3 to 10 days
Plant and machinery	5 – 10 years
Motor vehicles	3 – 5 years
Furniture, fixtures and equipment	2 – 15 years

Certain plant and equipment with a total carrying values of HK\$1,798,000 (2006: HK\$3,363,000) were entrusted to the operators of the Group (note 23).

16. PREPAID LEASE PAYMENTS

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments comprise land use rights in the PRC under medium-term land use rights	9,778	9,363	9,275
Analysed for reporting purposes as:			
Non-current asset	9,516	9,119	9,039
Current asset	262	244	236
	9,778	9,363	9,275

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17. INTANGIBLE ASSETS

	Patents and trademarks <i>HK\$'000</i>	Web site development costs <i>HK\$'000</i>	Software costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2005	1,649	4,530	696	6,875
Exchange realignment	63	106	–	169
Written off	–	–	(696)	(696)
	<u>1,712</u>	<u>4,636</u>	<u>–</u>	<u>6,348</u>
At 31 December 2005	1,712	4,636	–	6,348
Exchange realignment	24	166	–	190
	<u>1,736</u>	<u>4,802</u>	<u>–</u>	<u>6,538</u>
At 31 December 2006	1,736	4,802	–	6,538
AMORTISATION				
At 1 January 2005	1,649	2,718	371	4,738
Exchange realignment	63	76	–	139
Charge for the year	–	915	–	915
Written off	–	–	(371)	(371)
	<u>1,712</u>	<u>3,709</u>	<u>–</u>	<u>5,421</u>
At 31 December 2005	1,712	3,709	–	5,421
Exchange realignment	24	154	–	178
Charge for the year	–	939	–	939
	<u>1,736</u>	<u>4,802</u>	<u>–</u>	<u>6,538</u>
At 31 December 2006	1,736	4,802	–	6,538
CARRYING VALUES				
At 31 December 2006	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2005	–	927	–	927
	<u>–</u>	<u>927</u>	<u>–</u>	<u>927</u>

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	Patents and trademarks <i>HK\$'000</i>	Web site development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 January 2006	1,712	4,636	6,348
Exchange realignment	24	166	190
At 31 December 2006 and 2007	1,736	4,802	6,538
AMORTISATION			
At 1 January 2006	1,712	3,709	5,421
Exchange realignment	24	154	178
Charge for the year	–	939	939
At 31 December 2006 and 2007	1,736	4,802	6,538
CARRYING VALUES			
At 31 December 2007	–	–	–
At 31 December 2006	–	–	–

Patents and trademarks are internally generated and the website was acquired from third persons.

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patents and trademarks	5 – 10 years
Web site development costs	5 years

18. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 January 2005	16,801
Exchange realignment	289
At 31 December 2005	17,090
Exchange realignment	531
Arising on acquisition of additional interest in a subsidiary	8,778
At 31 December 2006	26,399
IMPAIRMENT	
At 1 January 2005	–
Impairment loss recognised for the year	3,192
At 31 December 2005 and 2006	3,192
CARRYING VALUES	
At 31 December 2006	23,207
At 31 December 2005	13,898

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HK\$'000

COST

At 1 January 2006	17,090
Exchange realignment	531
Arising on acquisition of additional interest in a subsidiary	8,778

At 31 December 2006	26,399
Exchange realignment	1,355

At 31 December 2007	27,754
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IMPAIRMENT

At 1 January 2006	–
Impairment loss recognised for the year	3,192

At 31 December 2006 and 2007	3,192
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CARRYING VALUES

At 31 December 2007	24,562
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At 31 December 2006	23,207
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For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit, namely, sale of cosmetic products (CGU). The carrying amounts of goodwill as at 31 December 2007 and 2006 is allocated to this CGU.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using a declining growth rate, and discount rate of 8% (2006: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

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19. INTEREST IN AN ASSOCIATE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of unlisted investment in associate	–	942	942
Share of post-acquisition profits, net of dividends received	–	(569)	(397)
	–	373	545
	–	373	545

As at 31 December 2006, the Group had interest in the following associate, which is an unlisted corporate entity and was disposed of during the year ended 31 December 2007.

Name of entity	Form of business structure	Place of registration and operation	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by the Group	Principal activity
Shanghai Rui Mei Medical and Health-care Company Limited	Registered	PRC	RMB5,000,000	20%	Provision of health care services

The summarised financial information in respect of the Group' associate is set out below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets	–	3,433	3,707
Total liabilities	–	(1,568)	(982)
Net assets	–	1,865	2,725
Group's share of net assets of associate	–	373	545
Revenue	2,332	5,846	6,306
Loss for the period/year	(2,667)	(860)	(300)
Group's share of loss of associate for the period/year	(373)	(172)	(60)

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20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of unlisted investments in a jointly controlled entity	–	358	–
Share of post-acquisition profits, net of dividends received	–	(5)	–
	–	353	–
	–	353	–

As at 31 December 2006, the Group had interests in the following jointly controlled entity, which is an unlisted corporate entity. During the year, the Group acquired an additional 1% interest and become a subsidiary of the Group from 15 August 2007 (note 32).

Name of entity	Form of business structure	Place of registration and operation	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by the Group	Principal activity
瑞昇醫學美容科技企業股份有限公司	Registered	Taiwan	NT\$3,000,000	50%	Provision of health care services

The summarised financial information in respect of the Group's jointly controlled entity which are accounted for using the equity method is set out below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current assets	–	353	–
Current liabilities	–	–	–
Income	315	2	–
Expenses	(228)	(7)	–

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2007 comprise:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted equity securities, at cost	9,126	6,786	6,786
	9,126	6,786	6,786

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The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in British Virgin Islands and Cayman Islands which engaged in investment holding and online health consultancy service respectively. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be reliably measured.

22. INVENTORIES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Raw materials	35,735	29,340	24,271
Work in progress	2,354	2,676	2,480
Finished goods	32,928	31,557	29,726
	71,017	63,573	56,477
	71,017	63,573	56,477

23. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade receivables	59,351	85,990	77,891
Prepayments and deposits	14,064	20,446	14,760
Financial refunds receivable	9,834	26,858	19,206
Other receivables	15,722	31,611	29,372
	98,971	164,905	141,229
	98,971	164,905	141,229

The Group allows a credit period ranging from one to six months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 180 days	44,874	73,836	71,956
181 days to 365 days	5,096	8,937	5,022
1 to 2 years	7,391	2,944	307
Over 2 years	1,990	273	606
	59,351	85,990	77,891
	59,351	85,990	77,891

Before accepting any new customer, the Group uses an internal credit system to assess the potential customer's credit quality and defines credit limits by customer. Limits to customers are reviewed twice a year. 76% of the trade receivables that are neither past due nor impaired have the best credit attributable under the system used by the Group.

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Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$14,477,000 (2006: HK\$12,154,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Other than for those entrustment fees receivables below, the Group does not hold any collateral over these balances. The average age of these receivables is within 180 days (2006: within 180 days).

Aging of trade receivables which are past due but not impaired:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
181 day to 365 day	5,096	8,937
1 to 2 years	7,391	2,944
Over 2 years	1,990	273
	<u>14,477</u>	<u>12,154</u>
	14,477	12,154

Since 2002, certain subsidiaries have entered into Assets Entrustment Agreements with various operators. Pursuant to these agreements, these subsidiaries and the operators agreed for the latter to manage and operate the same business (the "Entrusted Assets") as the subsidiaries, including the provision of spa and beauty services, the sale of beauty and skin care product, the provision of beauty training courses and the provision of assistance by the subsidiary to the operators in the development of the franchise network. The appointments are effective for period ranging from one to five years and the operators are required to pay the subsidiaries an entrustment fee which is determined with reference to the net asset value of the respective subsidiaries at the date of the agreement. The operators are entitled to retain any profits and are obligated to bear any losses, excluding the depreciation of property, plant and equipment, arising from the operation of the Entrusted Assets under the operators' management and operation. The subsidiaries retain the title to the property, plant and equipment. As security for the operators' obligations under the agreement, the operators are required to place a security, including properties with a fair value of approximately HK\$2,830,000 with the subsidiaries. The Group is not permitted to repledge the collateral in the absence of default by the operators.

The impact of the assets entrustment agreements on the consolidated financial statements are summarised as follows:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying values of plant and equipment entrusted	<u>1,798</u>	<u>3,363</u>	<u>11,016</u>
Entrustment fee income for the year	<u>2,817</u>	<u>4,704</u>	<u>5,255</u>

At the balance sheet date, the following outstanding balances arising from the assets entrustment agreements with operators are included as other receivables in the balance sheet:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Entrustment fees receivable	3,686	13,203	9,020
Consideration receivable for sale of assets (other than plant and machinery) to the operators	<u>1,990</u>	<u>2,969</u>	<u>5,080</u>
	<u>5,676</u>	<u>16,172</u>	<u>14,100</u>
	5,676	16,172	14,100

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Movement in the allowance for doubtful debts

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Balance at beginning of the year	2,300	2,522
Impairment losses recognised on receivables	3,502	1,531
Amounts written off as uncollectible	(2,718)	(1,462)
Amounts recovered during the year	(1,317)	(291)
	1,767	2,300
Balance at end of the year	1,767	2,300

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$1,767,000 (2006: HK\$2,300,000), which have been identified with financial difficulties. The Group does not hold any collateral over these balances.

24. HELD-FOR-TRADING INVESTMENTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Listed equity securities outside Hong Kong	–	27,713	26,491
	–	27,713	26,491

The fair values of the above held for trading investments are determined based on the bid prices quoted in the over-the-counter market.

25. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximate their fair value. The amounts bear interest which ranged from 0.18% to 5.27% per annum (2006: 0.33% to 5.23% per annum).

At 31 December 2007, the Group's bank deposits of US\$16,008,000 (equivalent to approximately HK\$124,940,000) (2006: HK\$37,329,000) was denominated in a currency other than the functional currency of the relevant group entity.

26. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade payables	21,813	16,607	16,593
Deposits from customers	25,389	20,896	16,088
Other tax payables	12,743	8,618	15,785
Other payables	30,363	24,077	33,575
	90,308	70,198	82,041
Total trade and other payables	90,308	70,198	82,041

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The following is an aged analysis of trade payables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 180 days	21,795	15,347	15,949
181 days to 365 days	–	16	–
1 to 2 years	2	607	500
Over 2 years	16	637	144
	<u>21,813</u>	<u>16,607</u>	<u>16,593</u>

27. DEFERRED INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Prepaid treatment fees	9,763	9,336	8,489
	<u>9,763</u>	<u>9,336</u>	<u>8,489</u>

Deferred income represents the receipts via credit cards, cheques and cash from sales of beauty services to customers and recognised in the consolidated income statement upon provision of the services to the customers.

28. RETIREMENT BENEFITS PLANS

(a) Defined benefit plan

The Group's Taiwan subsidiaries participate in a central pension scheme providing benefits to all employees in accordance with the Labour Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned. The Group currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. Under the schemes, the employees are entitled to retirement benefits equals to two months' salary for each year of service for the first 15 years and one month's salary for each year of service following the 15 years, but not more than 45 months' salary in aggregate on the attainment age of 60. No other post-retirement benefits are provided.

The Group's net obligation in respect of the pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. An actuarial valuation as at 31 December 2007 and 2006 was carried out by a qualified staff member of PricewaterhouseCoopers Taiwan, who is a member of the Taiwan Enrolled Pension Actuary. The actuarial valuation indicates that the Group's obligations under this defined benefit retirement scheme are 15% (2006: 18%) covered by the deposits paid with the Central Trust of China, a government institution.

- (i) The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2007	2006	2005
Discount rate	3.50%	3.75%	3.75%
Expected return on plan assets	2.75%	2.75%	2.75%
Expected rate of salary increases	2.50%	2.50%	2.50%
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>

The actuarial valuation showed that the market value of plan assets was HK\$1,282,000 (2006: HK\$1,965,000).

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- (ii) Amounts recognised in profit or loss in respect of the defined benefit plans are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current service cost	446	517	523
Interest on obligation	478	482	488
Expected return on plan assets	(54)	(66)	(67)
	870	933	944
	870	933	944

- (iii) The amounts included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Present value of funded defined benefit obligations	13,757	12,827	12,686
Fair value of plan assets	(1,282)	(1,965)	(2,366)
Net unrecognised actuarial (losses) gains	(576)	455	570
	11,899	11,317	10,890
	11,899	11,317	10,890

- (iv) Movements in the present value of the defined benefit obligations in the current year were as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
At 1 January	12,827	12,686	12,363
Current service cost	446	517	523
Interest on obligation	478	482	488
Benefits paid	(1,105)	(907)	–
Actuarial (losses) gains	1,031	(130)	(591)
Exchange differences on foreign plans	80	179	(97)
	13,757	12,827	12,686
	13,757	12,827	12,686

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(v) Movements in the fair value of the plan assets in the current year were as follows:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	1,965	2,366	1,987
Contributions from the employer	356	425	671
Expected return on plan assets	54	66	67
Benefits paid	(1,105)	(907)	–
Actuarial losses	8	(15)	(34)
Exchange differences on foreign plans	4	30	(325)
	1,282	1,965	2,366
At 31 December	1,282	1,965	2,366

(vi) The major categories of plan assets, and the percentage of the fair value at the balance sheet date for each category are as follows:

	2007	2006
	%	%
Deposits with financial institutions	39.58	44.73
Short term bills	11.61	20.43
Stocks	11.17	16.66
Bonds	12.20	10.05
Others	25.44	8.13
	100.00	100.00
	100.00	100.00

(b) Defined contribution plans

- (i) The Group operates a Mandatory Provident Fund Scheme (“the HK MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and Mandatory Provident Fund Scheme under the Labour Standards Law (as amended) in Taiwan (the “TW MPF Scheme”). The HK MPF scheme and TW MPF Scheme are defined contribution retirement scheme administered by independent trustees. Under the HK MPF scheme and TW MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% and 6%, respectively, of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000 for HK MPF Scheme while there is no cap to monthly income under TW MPF Scheme. Contributions to the scheme vest immediately.
- (ii) The employees of the Group’s subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the PRC government. As stipulated by the regulations of the PRC, these relevant subsidiaries participate in various defined contribution retirement plans organised by the relevant authorities for its PRC employees. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liabilities to these retired staff. The Group is required to make contributions to the retirement plans which are calculated based on certain prescribed rates and the salaries, bonuses and certain allowances of its PRC employees. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The total cost charged to income of HK\$7,968,000 (2006: HK\$6,106,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

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29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 31 December 2007	<u>2,000,000,000</u>	<u>200,000</u>

30. SHARE OPTION SCHEME

Pursuant to the written resolution passed by the shareholders on 11 March 2002. The Company has adopted a share option scheme (The "Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Company may grant options to full-time employees (including executive or non-executive Directors) of the Company or its subsidiaries to subscribe for the shares at a consideration of HK\$1 for each lot of share options granted. Options granted must be taken up within 28 days of the date of grant. The Scheme will remain valid for a period of 10 years commencing on 11 March 2002.

Options granted may be exercised during such period as would be determined by the board of directors of the Company (the "Board") and notified to each grantee upon grant of the option, but in any event not later than 10 years from the date of grant of the option. The subscription price for shares under the Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (b) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option.

The Company may grant share options to specified participants over and above the scheme mandate limit or the refreshed scheme mandate limit referred to above subject to shareholders' approval in general meetings and the issue of a circular.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company (or the subsidiary) must not exceed 30% of the relevant class of securities of the Company (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the Company (or the subsidiary) if this will result in the limit being exceeded.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,278,861 (2006: nil), representing 0.06% (2006: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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Options granted to substantial shareholders or independent non-executive directors in the 12-month period up to and including the date of such grant in excess of 0.1% of the Company's share capital in issue or with an aggregate value in excess of HK\$5 million based on the closing price of the shares at the date of each grant must be approved in advance by the Company's shareholders.

There was no option granted to substantial shareholders, executive directors or independent non-executive directors during the year.

The following table discloses movements of the Company's share options held by employees during the year:

Option type	Date of grant	Exercisable period	Exercise price	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expire during year	Outstanding at end of year
2007 Type I	27 July 2007	1 July 2008 to 26 July 2017	1.76	-	864,771	-	(225,341)	-	639,430
2007 Type II	27 July 2007	1 July 2009 to 26 July 2017	1.76	-	518,863	-	(135,204)	-	383,659
2007 Type III	27 July 2007	1 July 2010 to 26 July 2017	1.76	-	345,908	-	(90,136)	-	255,772
				-	1,729,542	-	(450,681)	-	1,278,861

On 27 July 2007, the Group granted options to certain employees to subscribe for a maximum of 1,729,542 shares and will be vested on a ratio of 50%, 30% and 20% over a three year period subject to the grantees achieving certain performance targets.

During the year ended 31 December 2007, options were granted on 27 July 2007. The estimated fair values of the options granted on that date were HK\$673,000.

These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

	Option type		
	2007 Type I	2007 Type II	2007 Type III
Vest date	01/07/2008	01/07/2009	01/07/2010
Grant date share price	HK\$1.76	HK\$1.76	HK\$1.76
Exercise price	HK\$1.76	HK\$1.76	HK\$1.76
Expected volatility	39.88%	39.88%	39.88%
Expected life	3 years	4 years	5 years
Expected dividend yield	5.91%	5.91%	5.91%
Risk-free interest rate	4.17%	4.28%	4.38%

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Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognized the total expense of approximately HK\$138,000 for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 26% of options granted prior to completion of vesting period and accordingly the share option expenses has been adjusted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in the profit and loss over the remaining vest period, with a corresponding adjustment to the share options reserve.

The Black-Scholes Options Pricing Model has been used to estimate the fair value of the options. The valuables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of the option varies with different variables of certain subjective assumptions.

31. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised in the balance sheet and movements thereon during the current or prior years are as follows:

	Allowance for bad and doubtful debts <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Defined benefit liability <i>HK\$'000</i>	Unrealised profits on inventories <i>HK\$'000</i>	Other short-term temporary differences <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	(746)	2,239	(2,350)	(3,880)	8	(4,729)
Exchange realignment	182	49	(102)	(223)	171	77
Charge (credit) to consolidated income statement	34	569	(274)	(575)	182	(64)
At 31 December 2005	(530)	2,857	(2,726)	(4,678)	361	(4,716)
Exchange realignment	(7)	40	(39)	(214)	(15)	(235)
Charge (credit) to consolidated income statement	72	(314)	(190)	(4,033)	(21)	(4,486)
At 31 December 2006	(465)	2,583	(2,955)	(8,925)	325	(9,437)

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	Allowance for bad and doubtful debts <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Defined benefit liability <i>HK\$'000</i>	Unrealised profits on inventories <i>HK\$'000</i>	Other short-term temporary differences <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	(530)	2,857	(2,726)	(4,678)	361	(4,716)
Exchange realignment	(7)	40	(39)	(214)	(15)	(235)
Charge (credit) to consolidated income statement	72	(314)	(190)	(4,033)	(21)	(4,486)
At 31 December 2006	(465)	2,583	(2,955)	(8,925)	325	(9,437)
Exchange realignment	(1)	(24)	(18)	(304)	(9)	(356)
Change in tax rate	-	-	-	617	1	618
Charge (credit) to consolidated income statement	134	(3,413)	(191)	5,182	(87)	1,625
At 31 December 2007	(332)	(854)	(3,164)	(3,430)	230	(7,550)

At the balance sheet date, the Group has unutilised tax losses of approximately HK\$91,231,000 (2006: HK\$81,305,000) available for offset against future profits. No deferred tax asset has been recognised of such tax losses due to the unpredictability of future profit streams. The Hong Kong tax losses of HK\$38,278,000 (2006: HK\$33,659,000) do not expire under the current tax legislation in Hong Kong and all other tax losses will expire from 2007 to 2010.

32. ACQUISITION OF A SUBSIDIARY

On 15 August 2007, the Group acquired an additional 1% interest in 瑞昇醫學美容科技企業有限公司, previously a 50% jointly controlled entity of the Group, at a consideration of approximately HK\$6,000. This acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination (Note) <i>HK\$'000</i>
Net assets acquired:	
Trade and other receivables	1,383
Trade and other payables	(506)
	877
Minority interests	(431)
Transfer from interest in jointly controlled entity	(440)
Total consideration	6
Net cash outflow arising on acquisition:	
Cash consideration paid	(6)

Note: The carrying amount before combination approximates the fair value.

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Had the acquisition been completed on 1 January 2007, total group revenue for the year would have been approximately HK\$450,774,000, and profit for the year would have been approximately HK\$178,948,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

33. OPERATING LEASES

The Group as lessee

During the year, the Group made rental payments for office premises under operating leases as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Minimum lease payments	15,920	13,850	13,815
Contingent rental payments	2,315	3,947	4,175
	18,235	17,797	17,990
	18,235	17,797	17,990

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	14,807	6,860	9,489
In the second year	11,794	4,769	6,468
In the third year	6,747	3,293	4,681
In the fourth year	2,360	1,648	3,354
In the fifth year	1,511	504	1,732
Over five years	6,010	-	561
	43,229	17,074	26,285
	43,229	17,074	26,285

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated and rentals are fixed for an average term of five years. In addition, the Group's PRC subsidiaries have commitments to make rental payments at a percentage of turnover for certain leased properties.

Furthermore, there is no commitment (2006: HK\$2,172,000) in respect of future minimum lease payments, which fall due within one to over five years, under non-cancellable operating leases entered into by the Group. The business operations at these premises have been entrusted to operators as described in note 23 who are responsible for the payment of the rentals to the respective landlords. New lease agreements will be entered into between the landlords and operators on expiry of the current lease agreements.

The Group as lessor

(i) Property

Property rental income earned during the year was HK\$7,109,000 (2006: HK\$8,399,000), net of outgoings of HK\$423,000 (2006: HK\$486,000). All of the properties held have committed tenants for the next one to five years.

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At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	4,547	6,625	5,647
In the second year	1,791	4,145	3,795
In the third year	404	966	2,027
In the fourth year	–	74	450
In the fifth year	–	–	74
	<u>6,742</u>	<u>11,810</u>	<u>11,993</u>

(ii) Entrustment arrangement

At the balance sheet date, the Group had contracted with operators for the following future minimum lease payments for the use of the Group's plant and machinery:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	1,802	4,197
In the second year	1,132	1,401
In the third year	587	777
In the fourth year	231	428
In the fifth year	–	96
	<u>3,752</u>	<u>6,899</u>

34. CAPITAL COMMITMENTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>1,545</u>	<u>3,002</u>	<u>2,972</u>

35. PLEDGE OF ASSETS

At 31 December 2006, Certain freehold investment properties of the Group with a carrying amount of HK\$157,758,000 are pledged to a bank. The banking facilities granted by the bank were terminated in 2002 and the charge is released upon the disposal of the investment properties during the year ended 31 December 2007.

The Group has no pledge of assets as at 31 December 2007.

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36. CONNECTED AND RELATED PARTY DISCLOSURES

During the year, the Group had significant transactions with related persons, some of which are also deemed to be connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with these persons during the year are as follows:

(A) Transactions

(I) Connected Persons

Name of company	Nature of transactions	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Companies controlled by the substantial shareholders:				
自然美雜誌社	Rental income	4	17	17
財團法人台北市蔡燕萍文教事業基金會	Rental income	1	3	3
中華民國儀容美協會	Rental income	1	3	3
自然美出版社	Rental income	4	14	14
中澳義國際股份有限公司	Rental income	4	14	14
自然美美容補習班	Rental income	–	27	55
台北市美容技術協會	Rental income	1	3	3
瑞昇醫學美容科技企業股份有限公司	Rental income	4	3	–
上海自然美生物醫學有限公司	Purchase of natural health food	4,992	2,468	2,166
上海自然美製衣有限公司	Purchase of lingerie	125	159	198
Balance due to at 31 December – trade payables		1,131	518	714
Director of the Company:				
Su Chien Cheng	Rental expenses	199	200	203

(II) Related persons, other than connected persons

Name of company	Nature of transactions	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Associate:				
上海瑞美醫療保健有限公司	Rental income	–	853	853

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(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	9,316	5,428	3,898
Post-employment benefits	172	111	102
Share-based payments	98	–	–
	9,586	5,539	4,000

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(B) Other arrangements

- (i) Under a licensing agreement, a director of the Company granted to Natural Beauty Bio-Technology Company Limited (formerly Natural Beauty Cosmetics Company Limited) (“NB Taiwan”), a subsidiary incorporated and operated in Taiwan, a license to use a skin test software from 1 January 1997 to 31 December 2011 for a nominal consideration of NT\$1.
- (ii) On 5 October 2001, NB Taiwan entered into two separate licensing agreements with two directors of the Company. Under the agreements, the directors agreed to license a number of trademarks to NB Taiwan, on an exclusive basis, for a nominal consideration of NT\$1. The licensing agreements will be effective till the expiry of the registration of the respective trademarks.
- (iii) On 3 May 2006, Shanghai Natural Beauty Cosmetics Company Limited (“NB Shanghai”), a wholly owned subsidiary, entered into a sale and purchase agreement with Chong Ming County Sanlian Investment Development Company Limited, a substantial shareholder of a subsidiary of the Company, to acquire the remaining 10% equity interests in NB Sanlian not already held by NB Shanghai, for a consideration of RMB800,000 (equivalent to approximately HK\$775,000).

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37. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company, as at 31 December 2007, is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	564,302	621,157	551,748
Available-for-sale investments	9,126	6,786	6,786
	573,428	627,943	558,534
Current assets			
Other receivables	2,989	6,260	5,534
Bank balances and cash	93,406	33,457	30,737
	96,395	39,717	36,271
Current liabilities			
Other payables	5,941	4,055	2,972
Net current assets	90,454	35,662	33,299
Total assets less current liabilities	663,882	663,605	591,833
Capital and reserves			
Share capital	200,000	200,000	200,000
Reserves (<i>note</i>)	463,882	463,605	391,833
	663,882	663,605	591,833

Note:

	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	336,758	42,051	378,809
Dividend paid	–	(61,000)	(61,000)
Profit for the year	–	74,024	74,024
	336,758	55,075	391,833
At 31 December 2005	336,758	55,075	391,833
Dividend paid	–	(80,000)	(80,000)
Profit for the year	–	151,772	151,772
	336,758	126,847	463,605
At 31 December 2006	336,758	126,847	463,605

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	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	336,758	–	55,075	391,833
Dividend paid	–	–	(80,000)	(80,000)
Profit for the year and total recognised income for the year	–	–	151,772	151,772
At 31 December 2006	336,758	–	126,847	463,605
Profit for the year and total recognised income for the year	–	–	185,176	185,176
Dividend paid	–	–	(185,000)	(185,000)
Recognition of share-based payments	–	138	–	138
Forfeiture of share options	–	(37)	–	(37)
At 31 December 2007	<u>336,758</u>	<u>101</u>	<u>127,023</u>	<u>463,882</u>

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs or issue of new debt.

39. FINANCIAL INSTRUMENTS

39a. Categories of financial instruments

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	–	27,713
Loans and receivables (including cash and cash equivalents)	673,648	500,702
Available-for-sale financial assets	9,126	6,786
Financial liabilities		
Amortised cost	<u>52,176</u>	<u>40,684</u>

39b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and receivables, bank balances and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to short-term bank deposits. The Directors consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank deposits are within short maturity periods.

The Group is also exposed to cash flow interest rate risk on the bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the bank balances at the balance sheet date. For bank balances, the analysis is prepared assuming the amount of balances at the balance sheet date was held the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by HK\$338,000 (2006: increase/decrease by HK\$21,600). This is mainly attributable to the Group's exposure to interest rates on its bank balances.

(ii) Currency risk

The Group has bank deposits denominated in foreign currency which expose the Group to foreign currency risk.

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Management considers that Group does not exposes to significant foreign currency risk as majority of its transactions are either denominated in functional currency of the Group's subsidiaries or in USD. Since USD is pegged to HKD, relevant foreign currency risk is minimal.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At 31 December 2007, the five largest receivable balances accounted for approximately 20% of the trade receivables and the largest trade receivables attributable to the Group's trade receivables were approximately 6% of the Group's total trade receivables.

The Group's concentration of credit risk by geographical locations are mainly PRC other than Hong Kong and Taiwan, which accounted for 42% and 58% of the trade receivables as at 31 December 2007.

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Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on its operating cash flows as a significant source of liquidity.

The Group's remaining contractual maturity for its financial liabilities falls within 30 to 90 days.

39c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

40. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name of company	Place of incorporation and operations	Kind of legal status	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company or its subsidiaries	Attributable to the Group	Principal activity
Shanghai Natural Beauty Cosmetics Company Limited	PRC	Foreign investment enterprise with limited liability	US\$29,980,000	100%	100%	Production and sale of skin care and beauty products
Shanghai Natural Beauty Sanlian Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB8,000,000	100%	100%	Wholesale and retail of skin care and beauty products; provision of beauty treatments
Shanghai Natural Beauty Qingbo Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB5,000,000	100%	100%	Wholesale and retail of skin care and beauty products
Shanghai Natural Beauty Fansi Jewellery Company Limited	PRC	Limited liability joint venture enterprise	RMB500,000	100%	100%	Sale of jewellery, craftwork, adornment, leather and horologe
Xi An Natural Beauty Mingyu Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB3,000,000	100%	100%	Sale of skin care and beauty products and related instruments; provision of skin care and beauty consulting

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Name of company	Place of incorporation and operations	Kind of legal status	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company or its subsidiaries	Attributable to the Group	Principal activity
Qingdao Natural Beauty Ornaments Company Limited	PRC	Limited liability joint venture enterprise	RMB4,000,000	100%	100%	Sale of skin care and beauty products and adornment
Nanjing Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB2,000,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Chengdu Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB2,500,000	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and skin care and beauty consulting and training
Hainan Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB2,500,000	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and beauty consulting and training
Shenzhen Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB4,000,000	90%	90%	Sale of cosmetic products and provision of beauty treatments
Haerbin Sanlian Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,000,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Ningbo Hai Shu Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB3,500,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Wuhan Natural Beauty Cutural Development Company Limited	PRC	Limited liability joint venture enterprise	RMB2,500,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Tianjin Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB2,000,000	90%	90%	Sale of cosmetic products and provision of beauty treatments
Wenzhou Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB2,000,000	100%	100%	Sale of cosmetic products and provision of beauty treatments

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Name of company	Place of incorporation and operations	Kind of legal status	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company or its subsidiaries	Attributable to the Group	Principal activity
Beijing Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB20,000,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Kunshan Natural Beauty Sanlian Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,500,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Changchun Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,500,000	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and skin care and beauty consulting
Mudanjiang Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB800,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Lanzhou Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,000,000	90%	90%	Sale of cosmetic products and provision of beauty treatments
Anshan Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,000,000	100%	100%	Sale of skin care and beauty products and related instruments; provision of skin care and beauty consulting
Suzhou Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,200,000	100%	100%	Sale of skin care and beauty products and related instruments
Fuzhou Natural Beauty Cosmetics Company Limited	PRC	Limited liability joint venture enterprise	RMB1,500,000	90%	90%	Wholesale and retail of skin care and beauty products and related instruments; provision of skin care and beauty consulting
上海自然美富儀化粧品有限公司	PRC	Limited liability joint venture enterprise	RMB500,000	100%	100%	Wholesale and retail of skin care and beauty products

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Name of company	Place of incorporation and operations	Kind of legal status	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company or its subsidiaries	Attributable to the Group	Principal activity
Shanghai Full-Beauty Cosmetics Company Limited	PRC	Foreign investment enterprise with limited liability	US\$1,408,000	100%	100%	Production and sale of skin care and beauty products
北京自然美九鼎軒投資有限公司	PRC	Limited liability joint venture enterprise	RMB10,000,000	51%	51%	Sale of cosmetic products and provision of beauty treatments
Natural Beauty Bio-Technology Company Limited (formerly Natural Beauty Cosmetics Company Limited)	Taiwan	Limited liability company	NT\$200,000,000	100%	100%	Production and sale of skin care and beauty products
Tian Ran Mei Bio-Technology Company Limited	Taiwan	Limited liability company	NT\$32,000,000	100%	100%	Production and sale of skin care and beauty products
Huei Yao Investment Company Limited	Taiwan	Limited liability company	NT\$122,043,420	100%	100%	Investment holding
依森國際股份有限公司	Taiwan	Limited liability company	NT\$1,000,000	100%	100%	Provision of beauty consulting and training
瑞昇醫學美容科技企業股份有限公司	Taiwan	Limited liability company	NT\$3,000,000	51%	51%	Provision of beauty consulting and training
Belem Holdings Sdn. Bhd.	Malaysia	Limited liability company	MYR123,235,408 Class B shares MYR10,000 Class A shares	100%	100%	Investment holding
Billion Synergy Sdn. Bhd.	Malaysia	Limited liability company	MYR2	100%	100%	Wholesale of skin care and beauty products
Ice Crystal Management Limited	British Virgin Islands ("BVI")	Limited liability company	US\$52,000	100%	100%	Investment holding
Great Glamour Company Limited	BVI	Limited liability company	US\$50,000	100%	100%	Investment holding
Next Success International Limited	BVI	Limited liability company	US\$100	100%	100%	Investment holding
Fortune Investment Global Limited	BVI	Limited liability company	US\$50,000	100%	100%	Investment holding

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Name of company	Place of incorporation and operations	Kind of legal status	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company or its subsidiaries	Attributable to the Group	Principal activity
Natural Beauty Bio-Technology (Hong Kong) Company Limited	Hong Kong	Limited liability company	HK\$10,000	100%	100%	Sale of cosmetic products and provision of beauty treatments
Natural Beauty Bio-Technology (Macao) Company Limited	Macau company	Limited liability	MOP25,000	100%	100%	Sale of cosmetic products and provision of beauty treatments

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

II. FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

(With comparatives for the six months ended 30 June 2007)

(Expressed in thousands of Hong Kong dollars (HK\$'000))

		For the six months ended 30 June	
		2008	2007
	<i>Note</i>	<i>(unaudited) HK\$'000</i>	<i>(unaudited) HK\$'000</i>
Turnover	4	315,651	193,188
Cost of sales		<u>(50,679)</u>	<u>(31,298)</u>
Gross profit		264,972	161,890
Other income		23,107	29,004
Distribution and selling costs		(69,168)	(53,409)
Administrative expenses		(38,535)	(38,486)
Other expenses		(12,089)	(3,217)
Share of loss of an associate		–	(348)
Share of profit of a jointly controlled entity		<u>–</u>	<u>19</u>
Profit before taxation	5	168,287	95,453
Income tax expense	6	<u>(18,509)</u>	<u>(21,157)</u>
Profit for the period		<u><u>149,778</u></u>	<u><u>74,296</u></u>
Attributable to:			
Equity holders of the Company		149,655	74,329
Minority interests		<u>123</u>	<u>(33)</u>
		<u><u>149,778</u></u>	<u><u>74,296</u></u>
Dividends	7	<u><u>100,032</u></u>	<u><u>100,000</u></u>
Earnings per share	8		
– Basic		7.48 HK cents	3.72 HK cents
– Diluted		<u><u>7.48 HK cents</u></u>	<u><u>Not applicable</u></u>

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Condensed Consolidated Balance Sheet

At 30 June 2008

(with comparatives at 31 December 2007)

(Expressed in thousands of Hong Kong dollars (HK\$'000))

	<i>Notes</i>	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Non-current assets			
Investment property		4,854	4,544
Property, plant and equipment		230,760	218,025
Prepaid lease payments		9,990	9,516
Goodwill		25,741	24,562
Available-for-sale investments		9,126	9,126
Deferred taxation assets		7,448	7,550
		287,919	273,323
Current assets			
Inventories		82,192	71,017
Trade and other receivables	9	79,585	98,971
Prepaid lease payments		279	262
Held-for-trading investments		70,080	–
Bank balances and cash		710,409	588,741
		942,545	758,991
Current liabilities			
Trade and other payables	10	86,210	90,306
Dividend payable		200,002	2
Deferred income		10,390	9,763
Taxation payable		12,268	4,693
		308,870	104,764
Net current assets		633,675	654,227
Total assets less current liabilities		921,594	927,550
Non-current liability			
Retirement benefit obligations	11	13,140	11,899
		908,454	915,651
Capital and reserves			
Share capital	12	200,000	200,000
Reserves		701,915	709,626
		901,915	909,626
Equity attributable to equity holders of the Company		901,915	909,626
Minority interests		6,539	6,025
		908,454	915,651
Total equity		908,454	915,651

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

(Expressed in thousands of Hong Kong dollars (HK\$'000))

	For the six months ended 30 June 2008 (Unaudited)								Minority interests	Total		
	Attributable to shareholders of the Company							Total			HK\$'000	HK\$'000
	Share Capital HK\$'000	Capital Surplus HK\$'000	Share Premium HK\$'000	Statutory Reserve HK\$'000	Exchange Reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000					
THE GROUP												
At 1 January 2008	200,000	42,554	336,758	150,722	63,203	101	116,288	909,626	6,025	915,651		
Net gain recognized directly in equity:												
Exchange difference arising from translation of overseas operations	-	-	-	-	42,400	-	-	42,400	391	42,791		
Recognition of share-based payments	-	-	-	-	-	234	-	234	-	234		
	200,000	42,554	336,758	150,722	105,603	335	116,288	952,260	6,416	958,676		
Profit for the period	-	-	-	-	-	-	149,655	149,655	123	149,778		
Dividends declared*	-	-	(200,000)	-	-	-	-	(200,000)	-	(200,000)		
At 30 June 2008	<u>200,000</u>	<u>42,554</u>	<u>136,758</u>	<u>150,722</u>	<u>105,603</u>	<u>335</u>	<u>265,943</u>	<u>901,915</u>	<u>6,539</u>	<u>908,454</u>		

* *Dividends declared represent the final dividend and final special dividend for 2007 and do not include the interim dividend for 2008.*

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

The comparative figures for 2007 are set out as follows:

	For the six months ended 30 June 2007 (Unaudited)							Minority	
	Attributable to shareholders of the Company						interests	Total	
	Share Capital HK\$'000	Capital Surplus HK\$'000	Share Premium HK\$'000	Statutory Reserve HK\$'000	Exchange Reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
THE GROUP									
At 1 January 2007	200,000	42,554	336,758	106,803	26,124	166,500	878,739	432	879,171
Net gain/(loss) recognized directly in equity:									
Exchange difference arising from translation of overseas operations	-	-	-	-	14,597	-	14,597	85	14,682
Transfer to statutory reserve	-	-	-	4,716	-	(4,716)	-	-	-
Formation of non-wholly owned subsidiary	-	-	-	-	-	-	-	4,951	4,951
	200,000	42,554	336,758	111,519	40,721	161,784	893,336	5,468	898,804
Profit for the period	-	-	-	-	-	74,329	74,329	(33)	74,296
Dividends declared*	-	-	-	-	-	(85,000)	(85,000)	-	(85,000)
At 30 June 2007	<u>200,000</u>	<u>42,554</u>	<u>336,758</u>	<u>111,519</u>	<u>40,721</u>	<u>151,113</u>	<u>882,665</u>	<u>5,435</u>	<u>888,100</u>

* *Dividends declared represent the final dividend and final special dividend for 2006 and do not included the interim dividend and interim special dividend for 2007.*

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

(With comparatives for the six months ended 30 June 2007)

(Expressed in thousands of Hong Kong dollars (HK\$'000))

		For the six months ended 30 June	
		2008	2007
	<i>Note</i>	<i>(unaudited) HK\$'000</i>	<i>(unaudited) HK\$'000</i>
Cash generated from operations	13	179,630	162,382
Overseas taxation paid		(10,598)	(17,238)
Net cash from operating activities		169,032	145,144
Investing activities			
Purchase of property, plant and equipment		(7,549)	(8,351)
Proceeds from disposal of property, plant and equipment		60	96
Purchase of held-for-trading investments		(70,080)	–
Acquisition of subsidiaries		–	(5,229)
Interest received		3,384	2,615
Net cash used in investing activities		(74,185)	(10,869)
Net increase in cash and cash equivalents		94,847	134,275
Cash and cash equivalents at 1 January		588,741	356,243
Effect of foreign exchange rate changes		26,821	10,860
Cash and cash equivalents at 30 June, represented by bank balances and cash		710,409	501,378

Notes to the Condensed Consolidated Financial Statements

As of 30 June 2008

(With comparatives for the six months ended 30 June 2007 and as of 31 December 2007)

(Expressed in thousands of Hong Kong dollars (HK\$'000) unless otherwise stated)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values. The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2007, except as described below.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions as appropriate in the preparation of the accounts. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include the productive life of property, plant and equipment, impairment of goodwill, allowances for trade receivable and inventories and the determination of income tax.

3. SEGMENT INFORMATION

(a) Geographical segment

The Group's operations are located in the People's Republic of China (the "PRC"), Taiwan, Hong Kong, Macau and Malaysia.

An analysis of the Group's revenue and contribution to segment results and segmental assets and liabilities by geographic segments based on customers location, irrespective of the origin of the goods/services, is presented below:

	For the six months ended 30 June 2008			
	PRC	Taiwan	Others	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>235,452</u>	<u>75,847</u>	<u>4,352</u>	<u>315,651</u>
Segment results	<u>135,249</u>	<u>28,152</u>	<u>(5,855)</u>	157,546
Unallocated expenses				(5,149)
Unallocated income				<u>15,890</u>
Profit before taxation				168,287
Income tax expense				<u>(18,509)</u>
Profit for the period				<u>149,778</u>

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

	For the six months ended 30 June 2007			
	PRC	Taiwan	Others	Total
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	139,282	50,565	3,341	193,188
Segment results	84,135	17,748	(1,830)	100,053
Unallocated corporate expenses				(6,886)
Unallocated income				2,615
Share of loss of an associate				(348)
Share of profit of a jointly controlled entity				19
Profit before taxation				95,453
Income tax expense				(21,157)
Profit for the period				74,296

(b) Business segment

The Group comprises the following main business segments:

- sale of cosmetic products and provision of beauty services
- leasing of investment properties

	For the six months ended 30 June 2008			For the six months ended 30 June 2007		
	Turnover (unaudited) HK\$'000	Other income (unaudited) HK\$'000	Capital expenditure (unaudited) HK\$'000	Turnover (unaudited) HK\$'000	Other income (unaudited) HK\$'000	Capital expenditure (unaudited) HK\$'000
Cosmetics products and beauty services	315,651	-	7,549	193,188	-	8,351
Investment properties	-	73	-	-	3,362	-
Others	-	23,034	-	-	25,642	-
	315,651	23,107	7,549	193,188	29,004	8,351

	Segment Assets	
	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (unaudited) HK\$'000
	Cosmetics products and beauty services	434,398
Investment property	4,854	4,544
	439,252	433,039

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

4. TURNOVER

Turnover represents the net invoiced value of goods sold or services rendered after allowances for returns and discounts, net of consumption tax.

An analysis of turnover by major categories is as follows:

	For the six months ended 30 June	
	2008	2007
	(unaudited) HK\$'000	(unaudited) HK\$'000
Sales of goods	307,795	181,958
Service income	7,590	9,099
Entrustment fee income	266	2,131
	315,651	193,188
	315,651	193,188

5. PROFIT BEFORE TAXATION

Profit before taxation in the condensed consolidated income statement was determined after crediting and charging the following items:

	For the six months ended 30 June	
	2008	2007
	(unaudited) HK\$'000	(unaudited) HK\$'000
Crediting:		
Interest income on bank deposits	3,384	2,615
Realized gain on disposal of short-term investments	1,842	1,406
Realized exchange gain	12,506	–
	17,732	4,427
	17,732	4,427
Charging:		
Net loss on disposals of property, plant and equipment	251	87
Staff costs, excluding directors' emoluments		
– Salaries and wages	43,706	34,147
– Pension costs		
– PRC	3,530	2,606
– Taiwan	1,654	1,187
– Hong Kong and other regions	91	111
Directors' emoluments (salaries and allowances)*	2,123	2,089
Depreciation of property, plant and equipment	8,359	9,171
(Written back) allowance for obsolete inventories	(462)	1,852
Provision for doubtful debts	5,245	1,824
Written off of uncollectible financial refunds receivable	4,431	–
Operating lease expense on land and buildings	8,418	8,385
Research and development costs	956	892
	79,116	61,311
	79,116	61,311

* Included in directors' remuneration were fees of HK\$1,494,000 (2007: HK\$1,494,000), payable to directors during the report period.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided, as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2008 (2007: Nil).

Taxation in overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Overseas taxation	18,407	17,238
Deferred taxation	102	3,919
	18,509	21,157
Taxation for the period	18,509	21,157

7. DIVIDENDS

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
2007 Interim, paid, of HK\$0.030 per ordinary share	–	60,000
2007 Interim Special, paid, of HK\$0.020 per ordinary share	–	40,000
2008 Interim, proposed, of HK\$0.050 per ordinary share	100,032	–
	100,032	100,000
	100,032	100,000

The directors proposed an interim dividend of 5.0 HK cents per share. This proposed dividend has not been recognised as a liability at the balance sheet date.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's unaudited profit attributable to equity holders of approximately HK\$149,655,000 for the six months ended 30 June 2008 (2007: HK\$74,329,000) divided by weighted average number of approximately 2,000,000,000 ordinary shares (2007: 2,000,000,000) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's unaudited profit attributable to equity holders of approximately HK\$149,655,000 for the six months ended 30 June 2008 (2007: HK\$74,329,000) divided by weighted average number of approximately 2,000,136,325 ordinary shares for the purposes of diluted earnings per share (2007: no dilutive potential shares).

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 (unaudited) <i>HK\$'000</i>	At 31 December 2007 (audited) <i>HK\$'000</i>
Trade receivables	51,704	59,351
Prepayments and deposits	13,212	14,064
Financial refunds receivable	–	9,834
Other receivables	14,669	15,722
	14,669	15,722
 Total trade and other receivables	 79,585	 98,971

The Group allows a credit period ranging from one to six months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	At 30 June 2008 (unaudited) <i>HK\$'000</i>	At 31 December 2007 (audited) <i>HK\$'000</i>
Within 180 days	36,862	44,874
181 days to 365 days	6,585	5,096
1 to 2 years	6,064	7,391
Over 2 years	2,193	1,990
	2,193	1,990
	51,704	59,351

The fair value of the Group's trade and other receivables at 30 June 2008 was approximate to the corresponding carrying amount.

10. TRADE AND OTHER PAYABLES

	At 30 June 2008 (unaudited) <i>HK\$'000</i>	At 31 December 2007 (audited) <i>HK\$'000</i>
Trade payables	19,562	21,813
Deposits from customers	27,107	25,389
Other tax payables	5,841	12,743
Other payables	33,700	30,361
	33,700	30,361
 Total trade and other payables	 86,210	 90,306

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

The following is an aged analysis of trade payables at the balance sheet date:

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (audited) HK\$'000
Within 180 days	19,410	21,795
181 days to 365 days	134	–
1 to 2 years	–	2
Over 2 years	18	16
	<u>19,562</u>	<u>21,813</u>

The fair value of the Group's trade and other payables at 30 June 2008 was approximate to the corresponding amount.

11. RETIREMENT BENEFIT OBLIGATIONS

	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (unaudited) HK\$'000
Obligations on:		
– defined contribution plans	–	–
– defined benefits plans	13,140	11,899
	<u>13,140</u>	<u>11,899</u>

Movement in the liability recognised in the balance sheet:

	For the six months ended 30 June 2008 (unaudited) HK\$'000	For the year ended 31 December 2007 (unaudited) HK\$'000
Accrued retirement benefit obligations, beginning	11,899	11,317
Total expense (<i>Note</i>)	1,684	870
Contributions paid	(1,256)	(356)
Currency realignments	813	68
	<u>13,140</u>	<u>11,899</u>

Note: Actuarial valuation of the pension plan is performed by a qualified actuary annually. Last actuarial valuation was made as at 31 December 2007. The amount charged for the period was based on the projected pension cost per last actuarial report for the forecoming year on a straight line basis.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

12. SHARE CAPITAL

	Nominal value	
	At 30 June 2008 (unaudited) HK\$'000	At 31 December 2007 (unaudited) HK\$'000
<i>Authorised:</i>		
– 4,000,000,000 ordinary shares of HK\$0.10 each	400,000	400,000
<i>Issued and fully paid:</i>		
– 2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000

13. NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit before working capital changes to net cash generated from operations.

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Operating profit before working capital changes	182,861	106,586
Increase in inventories	(10,713)	(6,265)
Decrease in trade and other receivables	9,710	50,264
(Decrease)/increase in trade, other payables, and deferred income	(3,469)	11,554
Increase in retirement benefit obligations	1,241	243
Cash generated from operations	179,630	162,382

14. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had significant transactions with related persons, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with these persons during the period are as follows:

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Rental income	18	19
Rental expenses	503	463
Purchase of finished goods from related companies	7,644	1,419

The rental transactions were carried out in accordance with terms determined and agreed by both persons.

The purchase transactions were carried out at cost plus a percentage profit mark-up.

APPENDIX I FINANCIAL INFORMATION ON THE NBBL GROUP

15. OPERATING LEASES

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2008 (unaudited) <i>HK\$'000</i>	At 31 December 2007 (audited) <i>HK\$'000</i>
Within one year	15,685	14,807
In the second to fifth years inclusive	25,146	22,412
Over five years	6,201	6,010
	47,032	43,229

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated and rentals are fixed for an average term of five years. In addition, the Group's PRC subsidiaries have commitments to make rental payments at a percentage of turnover for certain leased properties.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the future minimum lease payments of HK\$31,000 (As at 31 December 2007: HK\$203,000) within one year.

16. CAPITAL COMMITMENTS

	At 30 June 2008 (unaudited) <i>HK\$'000</i>	At 31 December 2007 (audited) <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	627	1,545

17. SUBSEQUENT EVENTS

On 20 August 2008, the Group has entered into the Sale and Purchase Agreement to acquire the entire interest of Shanghai Natural Beauty Bio-Med Co. Ltd. (上海自然美生物醫學有限公司), a connected party of the Group, at a consideration of USD3,313,966 (equivalent to approximately HK\$25,848,936).

The following is the texts of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 31 December 2008 for the property interests of the Group in Hong Kong, the People's Republic of China, Macau, the Republic of China and Malaysia.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



30 January 2009

The Directors
Natural Beauty Bio-Technology Limited
Unit 3512, 35/F
The Center, 99 Queen's Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Natural Beauty Bio-Technology Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC"), the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau"), the Republic of China ("Taiwan") and Malaysia, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 December 2008 ("date of valuation") for the purpose of incorporation into this circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests Nos. 2 and 3 in Group I, which are located in Shanghai City, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portion, reference has been made to the standard land price in Shanghai City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the

basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

In valuing the property interests Nos. 1 in Group I and Group III, which is held by the Group in the PRC and Taiwan, direct comparison approach is adopted with reference to comparable transactions in the open market and on the basis of vacant possession.

In valuing the property interests in Group II and IV which is held by the Group in the PRC and Taiwan for investment purpose, we have valued on the basis of capitalization of net rental income currently derived from the existing tenancy and taken into account the reversionary income potential of the property.

For property interests in Group V, VI, VII, VIII and IX which are leased by the Group in Hong Kong, the PRC, Macau, Taiwan and Malaysia, we have assigned no commercial value to them mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC, Taiwan and Malaysia. For the property interests in Hong Kong, we have caused searches to be made at the Land Registry and for the property interests in Macau, we have caused searches to be made at the Conservatoria do Registo Predial (The Land Registry in Macau). We have been provided with certain extracts of title documents relating to the property interests in the PRC, Malaysia, Macau and Taiwan. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Company’s PRC legal adviser, Shanghai Li Ting Law Firm, the legal opinion (“the Taiwanese legal opinion”) provided by the Company’s Taiwanese legal adviser, Her Han Intellectual Property Office, the legal opinion (“the Macau legal opinion”) provided by the Company’s Macau legal adviser, C&C Advogados and the legal opinion (“the Malaysian legal opinion”) provided by the Company’s Malaysian legal adviser, Nekoo Parames & Tung.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$). The exchange rates adopted in valuing the property interests in the PRC, Taiwan, Macau and Malaysia as at 31 December 2008 were as follows:

Country/ Region	Currency	Exchange Rate as at 31 December 2008
The PRC	Renminbi (RMB)	HK\$1 : RMB0.880
Taiwan	New Taiwan Dollars (NT\$)	HK\$1 : NT\$4.227
Macau	Macau Pataca (MOP)	HK\$1 : MOP1.056
Malaysia	Malaysian Ringgit (RM)	HK\$1 : RM0.445

There has been no significant fluctuation in the exchange rates for these currencies against Hong Kong Dollars between that date and the date of this letter.

The potential tax liability which would arise on the disposal of the property interests held by the Group in the PRC mainly includes PRC sales tax (5% of sales revenue), PRC land appreciation tax (30% – 60% of the net appreciation amount) and PRC corporate income tax (25%). It is unlikely that such tax liability will be crystalized in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC, Taiwan, Macau and the Asia-Pacific region.

SUMMARY OF VALUATION

Group I – Property interests held by the Group for self-occupation in the PRC

Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
1. Units 24 and 25, Level 11, No. 29 Dongdu Road, Haishu District, Ningbo City, Zhejiang Province, the PRC	RMB390,000 (equivalent to approximately HK\$443,182)	100%	RMB390,000 (equivalent to approximately HK\$443,182)
2. An industrial complex located at No. 471 Beimen Road, (Formerly known as No. 297 Beimen Road) Chengqiao Town, Chongming County, Shanghai City, the PRC	RMB5,470,000 (equivalent to approximately HK\$6,215,909)	100%	RMB5,470,000 (equivalent to approximately HK\$6,215,909)
3. An industrial complex located at No. 577 Sanshahong Road, Chengqiao Town, Chongming County, Shanghai City, the PRC	RMB24,260,000 (equivalent to approximately HK\$27,568,182)	100%	RMB24,260,000 (equivalent to approximately HK\$27,568,182)
Sub-total :	RMB30,120,000 (equivalent to approximately HK\$34,227,273)		RMB30,120,000 (equivalent to approximately HK\$34,227,273)

Group II – Property interests held by the Group for investment in the PRC

Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
4. The whole block of building located on the junction between No. 399 Yanping Road and No. 958 Changping Road, Jingan District, Shanghai City, the PRC	RMB175,000,000 (equivalent to approximately HK\$198,863,636)	100%	RMB175,000,000 (equivalent to approximately HK\$198,863,636)
5. Units 501 and 601, Block 6, Yueneng Building, No. 45 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	RMB19,300,000 (equivalent to approximately HK\$21,931,818)	100%	RMB19,300,000 (equivalent to approximately HK\$21,931,818)
Sub-total :	RMB194,300,000 (equivalent to approximately HK\$220,795,455)		RMB194,300,000 (equivalent to approximately HK\$220,795,455)

Group III – Property interests held by the Group for self-occupation in Taiwan

Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
6. Level 8 and eight carparking spaces 18 to 22, 55, 64, 65, on basement level, Nos. 248, 250, 252, 254 Section 3, Peishen Road, Shengkeng County, Taipei, Taiwan	NT\$150,000,000 (equivalent to approximately HK\$35,486,160)	100%	NT\$150,000,000 (equivalent to approximately HK\$35,486,160)
Sub-total :	NT\$150,000,000 (equivalent to approximately HK\$35,486,160)		NT\$150,000,000 (equivalent to approximately HK\$35,486,160)

Group IV – Property interests held by the Group for investment in Taiwan

Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
7. Units 1 to 3 and 5, Level 3 and 3 carparking spaces Nos. 133 to 135 on basement level 3, No. 128 Section 2, Chongde Road, Taizhong, Taiwan	NT\$19,000,000 (equivalent to approximately HK\$4,494,914)	100%	NT\$19,000,000 (equivalent to approximately HK\$4,494,914)
Sub-total :	NT\$19,000,000 (equivalent to approximately HK\$4,494,914)		NT\$19,000,000 (equivalent to approximately HK\$4,494,914)

Group V – Property interests leased by the Group in Hong Kong

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
8.	Unit 3512, 35th Floor, The Center, 99 Queen's Road, Central Hong Kong	No commercial value	100%	Nil
9.	Room 304, Block B, Wing Cheung Industrial Building, 58-70 Wing Cheong Road, Kwai Chung, New Territories, Hong Kong	No commercial value	100%	Nil
10.	Room 501 to 505, 5th Floor, Crawford House, 70 Queen's Road Central, Hong Kong	No commercial value	100%	Nil
11.	Room 1640, 16th Floor, Royal View Hotel, No.353 Castle Peak Road, Ting Kau, Tsuen Wan, Hong Kong	No commercial value	100%	Nil
Sub-total :				Nil

Group VI – Property interests leased by the Group in the PRC

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
A	<i>Guangdong Province</i>			
12.	Portions 1 and 2 of southern portion, of level 2, West Block, Xin Cheng Building, Shennan Road Central, Futian District, Shenzhen City, Guangdong Province, the PRC	No commercial value	100%	Nil
13.	Room 706, Block 7, Huang Mu Gang Dong Qu, Hua Fu Road, Futian District, Shenzhen City, Guangdong Province, the PRC	No commercial value	100%	Nil
14.	Level 2, No. 486 Huanshi Road East, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	No commercial value	100%	Nil
15.	1604, No. 8 Mei Hua Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	No commercial value	100%	Nil
16.	502, No. 18 Shui Meng Zhi Jie Xi Liu, Shuimeng Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	No commercial value	100%	Nil

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
<i>B</i>	<i>Shaanxi Province</i>			
17.	Level 8, Block F, H and G, Jia Teng Building, Xi'an City, Shaanxi Province, the PRC	No commercial value	100%	Nil
<i>C</i>	<i>Hainan Province</i>			
18.	Shops No. 109 and 202, Long Hua Ya Yuan, No. 39-2 Longhua Road, Haikou City, Hainan Province, the PRC	No commercial value	100%	Nil
<i>D</i>	<i>Sichun Province</i>			
19.	Levels 1 and 2, Nos 216 and Level 2, No. 218 Shun Cheng Main Street, Chengdu City, Sichun Province, the PRC	No commercial value	100%	Nil
20.	No. 9, Level 14, Block D, Shi Dai Yin Xiang, No. 1 Bei Dong Street, Qingyang District, Chengdu City, Sichun Province, the PRC	No commercial value	100%	Nil
<i>E</i>	<i>Beijing</i>			
21.	Basement Level 1, Levels 1, 3 and 4, Zi Ran Mei Building, No. 68 South 3rd Huan Road Central, Fengtai District, Beijing, the PRC	No commercial value	100%	Nil

	Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
<i>F</i>	<i>Liaoning Province</i>			
22.	A portion of Level 1 located at No. 53 Bei Shun Cheng Road, Dadong District, Shenyang, Liaoning District, the PRC.	No commercial value	100%	Nil
<i>G</i>	<i>Jilin Province</i>			
23.	Room 401, Gate 89-1 Dong Fang Zhi Zhu Xiao District, Changchun City, Jilin District, the PRC	No commercial value	100%	Nil
<i>H</i>	<i>Jiangsu Province</i>			
24.	Room 713, Yuan Dong Building, No. 575 Chang Xu Road, Suzhou City, Jiangsu Province, the PRC	No commercial value	100%	Nil
25.	Room 404, No. 404 Jing De Road, Suzhou City, Jiangsu Province, the PRC	No commercial value	100%	Nil
<i>I</i>	<i>Shandong Province</i>			
26.	Unit 1-101, Block 2, No. 40 Zhang Zhou 1st Road, Qingdao City, Shandong Province, the PRC	No commercial value	100%	Nil

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
27.	Room 1702, Unit 1, Block 6, No. 20 Fu Zhou Road South, Qingdao City, Shandong Province, the PRC	No commercial value	100%	Nil
28.	Unit 501, Shuo Yuan Commercial Building, No. 118 Shuo Yuan Main Street, Lixia District, Jinan City, Shandong Province, the PRC	No commercial value	100%	Nil
<i>J</i>	<i>Zhejiang Province</i>			
29.	A shop on Levels 1 and 2 located at No. 29 Dao Mao Lane, Qing Chun Road, Hangzhou City, Zhejiang Province, the PRC	No commercial value	100%	Nil
30.	No. 19, Level 1, Block 5, Pu Fang Yuan, Hui Yuan Road, Xin Cheng Zhong New District, Wenzhou City, Zhejiang Province, the PRC	No commercial value	100%	Nil
<i>K</i>	<i>Anhui Province</i>			
31.	1302-2, Zhong Huan Guo Ji Guang Chang, Sheng Li Road, Yaohai District, Hefei City, Anhui Province, the PRC	No commercial value	100%	Nil

	Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
<i>L</i>	<i>Hunan Province</i>			
32.	Rooms 1121 and 1122, Jin Xiu Hua Tian, No. 259 Fu Rong Raod Central (Section 1), Changsha City, Hunan Province, the PRC	No commercial value	100%	Nil
<i>M</i>	<i>Tianjin</i>			
33.	Room A-0305, Shi Dai Gong Yu, An Shan Xi Dao, Nankai District, Tianjin City, the PRC	No commercial value	100%	Nil
<i>N</i>	<i>Chongqing</i>			
34.	Units B and C, Level 17, Hui Yuan Building, No. 157 Zhongshan 3rd Road, Yuzhong District, Chongqing City, the PRC	No commercial value	100%	Nil
35.	Level 2, Ancillary Building of Wen Hua Tian Cheng, No. 20 Hong Huang Road, Jiangbei District, Chongqing City, the PRC	No commercial value	100%	Nil

	Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
O	<i>Jiangxi Province</i>			
36.	Room 1203 and a carparking space, Hua Long Guo Ji Building, No. 96 Ba Yi Boulevard, Xihu District, Nanchang City, Jiangxi Province, the PRC	No commercial value	100%	Nil
P	<i>Fu Yi Company/Qing Bo Company/San Lian Company</i>			
37.	A store room on Level 5, Block 3, No. 841 Hu Tai Road, Chongming County, Shanghai City, the PRC	No commercial value	100%	Nil
38.	No. 201-1, Huang Zhuang Road South, Baiyun District, Guangzhou City, Guangdong Province, the PRC	No commercial value	100%	Nil
Q	<i>San Lian Company</i>			
39.	Room 805, No. 245 Tian Ping Road, Xuhui District, Shanghai City, the PRC			
40.	North east zone of Zhen Yuan Yi Chang and entrance of Xin Ze Yuan Yuan Yi Chang, Jiading District, Shanghai City, the PRC	No commercial value	100%	Nil

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
41.	Basement 1, Block 6, No. 355 Ran Jia Ba Long Shan Road, Yubei District, Chongqing City, the PRC	No commercial value	100%	Nil
<i>R</i>	<i>Zi Ran Mei Company</i>			
42.	A factory located at Blocks 18 and 24, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	No commercial value	100%	Nil
43.	A factory located at Blocks 26 and 27, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	No commercial value	100%	Nil
44.	A factory located at Block 23, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	No commercial value	100%	Nil
<i>S</i>	<i>Fu Li Company</i>			
45.	No. 309, Feng Pao Gong Lu, Hai Wan Tourist District, Fengxian District, Shanghai City, the PRC	No commercial value	100%	Nil
Sub-total:		Nil		Nil

Group VII – Property interests leased by the Group in Macau

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
46.	Shop 2128 The Grand Canal Shoppes, The Venetian Macao, Estrada Da Baia De Nossa Senhora Da Esperanca No. S/N, Estrada Do Istmo (Coloane) No. S/N, Taipa, Macau	No commercial value	100%	Nil
47.	Unit Q on Level 28 Kinglight Garden (Fok Yuen, Fai Yeun, Lei Yuen, Kam Yuen), Unit No. 345 Rua De Braganca, Na Taipa, Macau	No commercial value	100%	Nil
	Sub-total:	Nil		Nil

Group VIII – Property interests leased by the Group in Taiwan

	Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
48.	Levels 1 to 5 and basement, No. 78 Kunming Street, Wanhua District, Taipei City, Taiwan	No commercial value	100%	Nil
49.	Shop located on Levels 1 and 2, No. 150 Yonghe Road Section 1, Yonghe City, Taipei County, Taiwan	No commercial value	100%	Nil
50.	Level 7, No. 439 Bade Road-Section 2, Songshan District, Taipei City, Taiwan	No commercial value	100%	Nil
51.	Basement and Level 1, No. 2, Lane 222, Dunhua Road North, Taipei City, Taiwan	No commercial value	100%	Nil
52.	Level 2, No.34, Lane 141, Daan Road – Section 2 (formerly known as Level 1, No. 19 Siwei Road), Taipei, Taiwan	No commercial value	100%	Nil
53.	Nos. 81 and 83 Sanmin Road-Section 3, North District, Taizhong City, Taiwan	No commercial value	100%	Nil
54.	No. 2 of 127, Wenheng 2nd Road, Lingya District, Kaohsiung City, Taiwan	No commercial value	100%	Nil

		Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
55.	Unit 5 on Level 6, No. 22 Jilong Road – Section 2, Taipei City, Taiwan	No commercial value	100%	Nil
56.	Level 3, No. 24 Lane 170 Siwei Road, Taipei City, Taiwan	No commercial value	100%	Nil
57.	No. 109 Lizhong Road, Zuoying District, Kaohsiung City, Taiwan	No commercial value	100%	Nil
58.	Level 3, No. 53 Fulian Road East, East District, Tainan City, Taiwan	No commercial value	100%	Nil
59.	Levels 1, 2 and a room on the front portion of Level 3, No.24 Lane 109, Meicun Road – Section 2, Taizhong City, Taiwan	No commercial value	100%	Nil
60.	Level 8 and carparking spaces Nos 144 and 145 on basement level 1, No. 9 Lane 155, Beishen Road – Section 3, Shenkeng Village, Taipei County, Taiwan	No commercial value	100%	Nil
61.	No. 8 Zhuangjing Road and Level 2 to 4 and 21 carparking spaces, Songqin Street, Xinyi District, Taipei City, Taiwan	No commercial value	100%	Nil
	Sub-total:	Nil		Nil

Group IV – Property interests leased by the Group in Malaysia

Property	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 Decemeber 2008
62. No.11-1, Wisma Low Siew Eng, Jalan 1/92C, Off Batu 3 1/4, Jalan Cheras, 56100 Kuala Lumpur, Malaysia	No commercial value	100%	Nil
Sub-total:	Nil		Nil
Grand total:	HK\$295,003,802		HK\$295,003,802

VALUATION CERTIFICATE

Group I – Property interests held by the Group for self-occupation in the PRC

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
1. Units 24 and 25, Level 11, No. 29 Dongdu Road, Haishu District, Ningbo City, Zhejiang Province, the PRC	The property comprises two residential units on Level 11 of an 18-storey building completed in about 1997. The total gross floor area of the property is approximately 57.63 sq.m. The property has been granted with a land use rights term of 50 years commencing from 27 December 2001 for residential use.	The property is occupied by the Group as staff quarters.	RMB390,000 (equivalent to HK\$443,182)	100%	RMB390,000 (equivalent to HK\$443,182)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate (document no.: Yong Guo Yong (2002) Zi No. 03002) issued by Land Administrative Bureau of Haishu District on 14 January 2002, the land use rights of the property has been granted to Ningbo Haishu Natural Beauty Cosmetics Co., Ltd. for residential use.
- Pursuant to the Building Ownership Certificate (document no: Yong Fang Quan Zheng Zi Yi Zi No. H200100563) issued by Real Estate Administrative Bureau of Ningbo City, two residential units with a total gross floor area of approximately 57.63 sq.m. is vested in Ningbo Haishu Natural Beauty Cosmetics Co., Ltd for residential use.
- Ningbo Haishu Natural Beauty Cosmetics Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
- Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licences and documents of the property is as follows:
 - State-owned Land Use Rights Certificate Yes
 - Building Ownership Certificate Yes
- The PRC Legal Opinion has stated that:
 - The property has been granted with a land use rights term of 50 years commencing from 27 December 2001.
 - The ownership of the property is vested in Ningbo Haishu Natural Beauty Cosmetics Co., Ltd., which is entitled to occupy, transfer, lease and mortgage the property in the open market.
 - The property is free from any mortgages, charges and other legal encumbrances which may cause any adverse effects on the ownership of the property.
 - The land premium has been fully settled.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
2.	An industrial complex located at No. 471 Beimen Road, (Formerly known as No. 297 Beimen Road) Chengqiao Town, Chongming County, Shanghai City, the PRC	The property comprises a parcel of land with a site area of approximately 4,666 sq.m. together with seven 1 to 2-storey buildings and structures erected thereon.	RMB5,470,000 (equivalent to HK\$6,215,909)
		The property is occupied by the Group as production plant.	
			Interest attributable to the Group
			100%
			Market Value in existing state attributable to the Group as at 31 December 2008
	The buildings and structures of the property were completed in between 1994 and 2007.		
	The buildings and structures of the property have a total gross floor area of approximately 4,411.52 sq.m.		RMB5,470,000 (equivalent to HK\$6,215,909)
	The property has been granted a land use rights term for a term commencing from 7 January 2008 and expiring on 21 February 2052 for industrial use.		

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract (document no.: Hu Fang Di Zi (2002) Chu Rang He Tong Chong Nei Zi No. 05) entered into between Shanghai Housing and Land Resource Administrative Bureau (Party A) and Shanghai Natural Beauty Cosmetics Co., Ltd. (Party B) dated 21 February 2002, Party A has agreed to transfer the land use rights of the property with a site area of approximately 4,666 sq.m. for a term of 50 years commencing from 21 February 2002 at a consideration of RMB208,374.23.
- Pursuant to the Shanghai Certificate of Real Estate Ownership (document no: Hu Fang Di Chong Zi (2008) No. 00057) issued by Shanghai Housing and Land Resource Administrative Bureau on 1 February 2008, the land use rights of the property having a site area of approximately 4,666 sq.m. has been granted to Shanghai Natural Beauty Cosmetics Co., Ltd. for a term of 50 years commencing on 7 January 2008 and expiring on 21 February 2052 for industrial use.

As stipulated, the building ownership of the property with a total gross floor area of approximately 4,411.52 sq.m. is vested in Shanghai Natural Beauty Cosmetics Co., Ltd.
- Shanghai Natural Beauty Cosmetics Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
- Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licences and documents of the property is as follows:
 - Shanghai Certificate of Real Estate Ownership Yes
- The PRC Legal Opinion has stated that:
 - The ownership of the property is vested in Shanghai Natural Beauty Cosmetics Co., Ltd., which is entitled to occupy, transfer, lease and mortgage the property in the open market.
 - The property is free from any mortgages, charges and other legal encumbrances which may cause any adverse effects on the ownership of the property.
 - The land premium has been fully settled.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
3. An industrial complex located at No. 577 Sanshahong Road, Chengqiao Town, Chongming County, Shanghai City, the PRC	The property comprises a parcel of land with a site area of approximately 40,625 sq.m. and various 1 to 3-storey buildings and structures erected thereon.	The property is occupied by the Group as factory.	RMB24,260,000 (equivalent to HK\$27,568,182)
			Interest attributable to the Group
			100%
	The buildings were completed in about 2005.		Market Value in existing state attributable to the Group as at 31 December 2008
	The property has a total gross floor area of approximately 7,537.82 sq.m. The particulars of the building portion of the property are summarized in Notes 1 and 2.		RMB24,260,000 (equivalent to HK\$27,568,182)
	The property has been granted with a land use rights for a term commencing from 26 September 2007 and expiring on 22 August 2051 for industrial use.		

Notes:

- Pursuant to the Shanghai Certificate of Real Estate Ownership (document no: Hu Fang Di Chong Zi (2007) No. 003619) issued by Shanghai Housing and Land Resource Administrative Bureau on 26 September 2007, the land use rights of the property with a site area of approximately 40,625 sq.m. has been granted to Shanghai Natural Beauty Cosmetics Co., Ltd. for a term commencing from 26 September 2007 and expiring on 22 August 2051 for industrial use.

As stipulated,, the ownerships of ten buildings of the property with a total gross floor area of approximately 6,092.82 sq.m. are vested in Shanghai Natural Beauty Cosmetics Co., Ltd.

- As advised by the Group, there are 3 buildings with a total gross floor area of approximately 1,445 sq.m. erected thereon without Shanghai Certificate of Real Estate Ownership. The particulars are as follows:

Building	No. of Storey	Year of Completion	Approximate Gross Floor Area (sq.m.)
Factory	2	2005	600
Dormitory	3	2001	210
Extension of Level 2 of an existing factory building	2	2001	635
Total			<u>1,445</u>

3. In the course of our valuation, we have attributed no commercial value to the buildings stated in Note 2 which are absence of the Shanghai Certificate of Real Estate Ownership because this portion of the property is forbidden to be transferred, leased and mortgaged in the market. However, for indicative purpose, the depreciated replacement cost of the this portion of the property as at the valuation date was RMB1,790,000 (equivalent to approximately HK\$2,034,091) assuming the relevant title documents were obtained and this portion are freely transferable in the market.
4. Shanghai Natural Beauty Cosmetics Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
5. Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licences and documents of the property is as follows:
 - (a) Shanghai Certificate of Real Estate Ownership Yes
6. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Shanghai Natural Beauty Cosmetics Co., Ltd., which is entitled to occupy, transfer, lease and mortgage the property in the open market.
 - (b) The property is free from any mortgages, charges and other legal encumbrances which may cause any adverse effects on the ownership of the property.
 - (c) The land premium has been fully settled.

Group II – Property interests held by the Group for investment in the PRC

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 December 2008
4. The whole block of building located on the junction between No. 399 Yanping Road and No. 958 Changping Road, Jingan District, Shanghai City, the PRC	<p>The property comprises an 18-storey composite building completed in 2000.</p> <p>The total gross floor area and the site area of the property is approximately 9,995.98 sq.m. and 1,633 sq.m. respectively.</p> <p>The property has been granted with a land use rights for a term commencing from 17 June 2001 and expiring on 17 April 2051 for composite use.</p>	<p>The property is subject to various tenancies with the latest expiry date on 30 June 2013 at an annual rental of RMB1,093,123.2.</p> <p>The particulars of the tenancies are summarized in Note 2.</p> <p>At present, portion of the property is occupied by the tenants for retail uses and the remaining portion of the property is occupied by the Group as office and beauty salon.</p>	RMB175,000,000 (equivalent to HK\$198,863,636)	100%	RMB175,000,000 (equivalent to HK\$198,863,636)

Notes:

- Pursuant to the Shanghai Certificate of Real Estate Ownership (document no.: Hu Fang Di Shi Zi (2001) No. 004875) issued by Shanghai Housing and Land Administration Bureau on 13 July 2001, the land use rights of the property with a site area of approximately 1,633 sq.m. has been granted to Shanghai Natural Beauty Cosmetics Co., Ltd. for a term commencing from 17 June 2001 and expiring on 17 April 2051 for composite use.

As stipulated, the ownership of the building portion of the property with a total gross floor area of approximately 9,995.98 sq.m. is vested in Shanghai Natural Beauty Cosmetics Co., Ltd.

- Pursuant to 4 tenancy agreements, portion of the property with a total gross floor area of approximately 1,107 sq.m. are subject to tenancies, the particulars are as follows:

Leased part of the property	Tenant	Lease Term	Annual Rent	Approximate Gross Floor Area (sq.m.)
Level 1	China Minsheng Bank (Shanghai Branch)	1 August 2005 to 31 July 2010	RMB141,523.2 inclusive of management fee but exclusive of operating outgoings.	52

Leased part of the property	Tenant	Lease Term	Annual Rent	Approximate Gross Floor Area (sq.m.)
West portion on Level 2	Shanghai Yunkong Beauty Salon Company Limited	10 September 2005 to 9 September 2007. As informed by the PRC legal advisor, the lease has been extended and currently on the term as same as the original lease agreement.	RMB219,600 inclusive of management fee but exclusive of operating outgoings.	305
Left Portion on Levels 1 and 2	Shanghai Manabe Enterprise Management Company Limited	18 May 2005 to 30 June 2013	RMB300,000, exclusive of management fee and operating outgoings.	300
Level 7	Shanghai Yongdao Logistic Company Limited	1 November 2008 to 31 October 2011	RMB432,000, exclusive of management fee and operating outgoings.	450
Total			RMB1,093,123.2	1,107

3. As advised by the Group, the tenants are independent third parties, which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.
4. Shanghai Natural Beauty Cosmetics Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
5. Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licences and documents of the property is as follows:
 - (a) Shanghai Certificate of Real Estate Ownership Yes
6. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Ningbo Haishu Natural Beauty Cosmetics Co., Ltd., which is entitled to occupy, transfer, lease and mortgage the property in the open market.
 - (b) The property is free from any mortgages, charges and other legal encumbrances which may cause any adverse effects on the ownership of the property.
 - (c) The land premium has been fully settled.
 - (d) As informed by the PRC legal advisor, the lease of Shanghai Yunkong Beauty Salon Company Limited has been extended and currently on the term as same as the original lease agreement.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
5. Units 501 and 601, Block 6, Yueneng Building, No. 45 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises the whole on levels 5 and 6 of a 29-storey office building completed in about 2004.</p> <p>The property has a total gross floor area of approximately 1,929.7 sq.m.</p> <p>The property has been granted with the land use rights for a term of 50 years for office use commencing from 16 October 2003.</p>	<p>At present, Level 5 of the property is leased to an independent third party for a term commencing from 1 April 2006 to 14 February 2011 at a monthly rental of RMB57,891 exclusive of management fee and operating outgoings.</p> <p>Levels 5 and 6 of the property is occupied by the tenant and the Group for office use.</p>	<p>RMB19,300,000 (equivalent to HK\$21,931,818)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 December 2008</p> <p>RMB19,300,000 (equivalent to HK\$21,931,818)</p>

Notes:

1. Pursuant to two Real Estate Ownership Certificates (Document Nos. Yue Fang Di Zheng Zi Di No. C4912210 and C4912211) both dated 21 October 2006 issued by Guangzhou Land and Building Administration Bureau, the ownership of the property with a total gross floor area of approximately 1,929.7 sq.m. is vested in Guangzhou Branch of Shanghai Natural Beauty Sanlian Cosmetics Co. Ltd..
2. Pursuant to two Sale and Purchase Agreements (Document Nos. Sui Fang He Zi 2004027792 and 2004027793) entered into between Guangzhou Runlong Real Estate Company Limited ("Party A") and Guangzhou Branch of Shanghai Natural Beauty Sanlian Cosmetics Co. Ltd. ("Party B"), Party B agreed to purchase the property with a total gross floor area of approximately 1,908 sq.m. from Party A at a total consideration of RMB13,585,000 for office uses.
3. As advised by the Group, the tenant is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. Shanghai Natural Beauty Sanlian Cosmetics Co. Ltd. is an indirect wholly-owned subsidiary of the Company. Guangzhou Branch is the branch office of Shanghai Natural Beauty Sanlian Cosmetics Co. Ltd. established in Guangzhou.
5. Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licences and documents of the property is as follows:
 - (a) Real Estate Ownership Certificate Yes
6. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Ningbo Haishu Natural Beauty Cosmetics Co., Ltd., which is entitled to occupy, transfer, lease and mortgage the property in the open market.
 - (b) The property is free from any mortgages, charges and other legal encumbrances which may cause any adverse effects on the ownership of the property.
 - (c) The land premium has been fully settled.

Group III – Property interest held by the Group for self-occupation in Taiwan

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
6. Level 8 and eight carparking spaces 18 to 22, 55, 64, 65, on basement level, Nos. 248, 250, 252, 254, Section 3, Peishen Road, Shengkeng County, Taipei, Taiwan	The property comprises the whole on Level 8 and eight carparking spaces on basement level of an 8-storey (exclusive of 1 basement level) industrial building completed in 1989. The total gross floor area of the property is approximately 4,289.04 sq.m. (exclusive of carparking spaces)	The property at present is occupied by the Group for industrial, carparking and ancillary uses.	NT\$150,000,000 (equivalent to approximately HK\$35,486,160)
			Interest attributable to the Group
			100%
			Market Value in existing state attributable to the Group as at 31 December 2008
			NT\$150,000,000 (equivalent to approximately HK\$35,486,160)

Notes:

- According to a Land Ownership Certificate (Document No.: 087 Xin Zhi Tu Zi Nian 016754) and four Building Ownership Certificates (Document Nos.: 090 Xin Zhi Jian Zi No. 008149 to 008152), the current registered owner of the property with a total gross floor area of approximately 4,289.04 sq.m. (exclusive of carparking spaces) is Natural Beauty Cosmetics Co., Ltd..
- According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
- We have been provided with a legal opinion on the property prepared by the Group's Taiwanese legal adviser, Her Han Intellectual Property Office, which contains, inter alia, the following information:
 - The ownership of the property is vested in Natural Beauty Cosmetics Co., Ltd. (is now known as Natural Beauty Bio-Technology Co., Ltd.), the Group is entitled to transfer, occupy, lease and mortgage the property; and
 - The property is free from any mortgages and other legal encumbrances which may cause any adverse effects to the ownership of the property.

Group IV – Property interest held by the Group for investment in Taiwan

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
7. Units 1 to 3 and 5, Level 3 and 3 carparking spaces Nos. 133 to 135 on basement level 3, No. 128 Section 2, Chongde Road, Taizhong, Taiwan	<p>The property comprises four units on level 3 and 3 car parking spaces on basement level 3 of an 18-storey (exclusive of 3 basement levels) commercial building completed in 1993.</p> <p>The total gross floor area of the property is approximately 806.33 sq.m. (exclusive of carparking spaces)</p>	<p>The property is leased by the Group to an independent third party for a term of two years commencing from 1 January 1997 to 31 December 2008 at a monthly rent of NT\$50,000 inclusive of tax but exclusive of other operating expenses.</p> <p>The property at present is occupied by the tenant as beauty salon, store and training centre.</p>	<p>NT\$19,000,000 (equivalent to approximately HK\$4,494,914)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 December 2008</p> <p>NT\$19,000,000 (equivalent to approximately HK\$4,494,914)</p>

Notes:

- According to a Land Ownership Certificate (Document No.: Zhong Zheng Zi No. 13555) and five Building Improvement Certificates (Document Nos.: Zhong Zheng Zi No. 15831, 15830, 15829, 15828 and 15827), the current registered owner of the property with a total gross floor area of approximately 806.33 sq.m. (exclusive of carparking spaces) is Natural Beauty Cosmetics Co., Ltd..
- According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
- According to the information provided by the Group, the tenant of the property is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Group.
- We have been provided with a legal opinion on the property prepared by the Group's Taiwanese legal adviser, Her Han Intellectual Property Office, which contains, inter alia, the following information:
 - The ownership of the property is vested in Natural Beauty Cosmetics Co., Ltd. (is now known as Natural Beauty Bio-Technology Co., Ltd.), the Group is entitled to transfer, occupy, lease and mortgage the property.
 - The property is free from any mortgages and other legal encumbrances which may cause any adverse effects to the ownership of the property.
- According to the tenancy agreement, the lease term is expired as at 31 December 2008. According to the information provided by the Group, the new tenancy is under negotiation.

Group V – Property interests leased by the Group in Hong Kong

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
8.	Room 3512, 35th Floor, The Center, No. 99 Queen's Road Central, Hong Kong	<p>The property comprises an office unit on the 35th Floor of a 70 storey office building except 3 floors of basement completed in 1998.</p> <p>The property has a saleable area of approximately 950.14 sq.ft..</p>	<p>The property is leased to Natural Beauty Bio Technology (Hong Kong) Company Limited by an independent third party for a term of two years from 1 March 2008 to 28 February 2010 at a monthly rent of HK\$71,500 exclusive of rates, Government rent, air-conditioning and management charges and other charges.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. According to the Land Register, the current registered owner of the property is Land Development Limited.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
9.	Room 304, Work Space B, 3rd floor, Wing Cheung Industrial Building, Nos. 58-70, Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong	<p>The property comprises an industrial unit on the 3rd Floor of a 19 storey industrial building completed in 1974.</p> <p>The property has a saleable area of approximately 10,412 sq.ft..</p>	<p>The property is leased to Natural Beauty Bio Technology (Hong Kong) Company Limited by an independent third party for a term of two years from 8 April 2007 to 7 April 2009 at a monthly rent of HK\$13,000 exclusive of any outgoings except government rent, government rates, property tax and management fee.</p> <p>The property is currently occupied by the Group for warehouse use.</p>	No commercial value

Notes:

1. According to the Land Register, the current registered owner of the property is Forced Right Limited.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
10.	Unit 501 to 505, 5th Floor, Crawford House, 70 Queen's Road Central, Hong Kong	<p>The property comprises a retail unit on 5th Floor of a 23 storey office building (exclusive of a single storey basement) completed in 1977.</p> <p>The property has a saleable area of approximately 4,466.33 sq.ft. plus a flat roof with an area of 2,519.47 sq.ft..</p>	<p>The property is leased to Natural Beauty Bio Technology (Hong Kong) Company Limited by an independent third party. The term of Units 501 to 505 is for three years commencing on the 1 September 2007 or the date immediately following the expiry of the previous licence between the landlord and the previous tenant dated 6 September 2007 whichever is the later. The current monthly rent is HK\$187,616 and exclusive of service charge. The term of flat roof, 5th Floor is for a term of three years commencing on 1 September 2007 at a monthly rent of HK\$20,000 inclusive of service charge.</p> <p>The property is occupied by the Group for beauty salon use.</p>	No commercial value

Notes:

1. According to the Land Registry record, the current registered owner of the property is Ridge Limited.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
11.	Room 1640, 16th Floor, Royal View Hotel, No.353, Castle Peak Road, Ting Kau, Tsuen Wan, New Territories, Hong Kong	<p>The property comprises a hotel guestroom on the 16 Floor of a 15 storey hotel building completed in 2006.</p> <p>The property has a saleable area of approximately 304.19 sq.ft..</p>	<p>The property is leased to Natural Beauty Bio Technology (Hong Kong) Company Limited by an independent third party from 30 June 2008 to 29 December 2008 at a monthly rent of HK\$8,800 including any management fee, air-conditioning, etc.</p> <p>The property is occupied by the Group for staff quarter use.</p>	No commercial value

Notes:

1. According to the Land Register, the current registered owner of the property is Leveson Limited.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

Group VI – Property interests leased by the Group in the PRC

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008										
A	<i>Guangdong Province</i>													
12.	Portions 1 and 2 of southern portion, of level 2, West Block, Xin Cheng Building, Shennan Road Central, Futian District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises two office units on Level 2 of an 18-storey office building completed in about 1994.</p> <p>The property has a total gross floor area of approximately 510 sq.m.</p> <p>The breakdown of gross floor area of the property is as follows:</p> <table border="1"> <thead> <tr> <th>Unit</th> <th>Approximate Gross Floor Area</th> </tr> </thead> <tbody> <tr> <td>Area</td> <td></td> </tr> <tr> <td>Portion 1</td> <td>100 sq.m.</td> </tr> <tr> <td>Portion 2</td> <td><u>410 sq.m.</u></td> </tr> <tr> <td>Total</td> <td><u><u>510 sq.m.</u></u></td> </tr> </tbody> </table>	Unit	Approximate Gross Floor Area	Area		Portion 1	100 sq.m.	Portion 2	<u>410 sq.m.</u>	Total	<u><u>510 sq.m.</u></u>	<p>The property is leased to Shenzhen Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term from 5 February 2007 to 28 February 2010 at monthly rent of RMB4,800 and RMB19,680 exclusive of management fee and other operating outgoings.</p> <p>The property is occupied by the Group for office and training uses.</p>	No commercial value
Unit	Approximate Gross Floor Area													
Area														
Portion 1	100 sq.m.													
Portion 2	<u>410 sq.m.</u>													
Total	<u><u>510 sq.m.</u></u>													

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
13.	Room 706, Block 7, Huang Mu Gang Dong Qu, Hua Fu Road, Futian District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises a residential unit on the Level 7 of an 8 storey residential building completed in about 1987.</p> <p>The property has a gross floor area of approximately 78.32 sq.m.</p>	<p>The property is leased to Shenzhen Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term of one year from 1 November 2008 to 31 October 2009 at a monthly rent of RMB1,900 exclusive of water, electricity gas, telephone and cable television charges.</p> <p>The property is currently occupied by the Group for staff quarters use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Hua Lien Development Group Co., Ltd..
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
14.	<p>Level 2, No. 486 Huanshi Road East, Yuexiu District Guangzhou City, Guangdong Province, the PRC</p> <p>The property comprises an office unit on Level 2 of a 17-storey commercial building completed in 1994.</p> <p>The property has a gross floor area of approximately 1,108.4 sq.m.</p>	<p>The property is leased to Guangzhou Branch of Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 8 August 2007 to 7 August 2013 at a monthly rent of RMB53,060, exclusive of management fee and operating outgoings.</p> <p>As informed by the Group, the lessor is the authorized person to represent the owner of the property to lease the property.</p> <p>The property is currently occupied by the Group for office, beauty centre and training centre uses.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Guangdong Oils and Grains Development Company (now known as Guangdong Guang Liang Enterprise Co., Ltd.).
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage on 25 December 2007.
2. According to the information provided, the lessor and the owner are an independent third parties, which are not connect with and are independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
15.	1604, No. 8 Mei Hua Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises a residential unit on the 16th Level of a 22 storey composite building completed in 2003.</p> <p>The property has a gross floor area of approximately 51 sq.m.</p>	<p>The property is leased to Guangzhou Branch of Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 26 September 2008 to 25 September 2009 at a monthly rent of RMB2,700 exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for residential use.</p>	No commercial value

Notes:

1. the PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
16.	502, No.18 Shui Meng Zhi Jie Xi Liu, Shuimeng Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit on the Level 5 of an 8 storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 73.16 sq.m.</p>	<p>The property is leased to Guangzhou Natural Beauty Professional Training Institute by an independent third party for a term of one year from 15 June 2008 to 14 June 2009 at a monthly rent of RMB1,400. As informed by the Group, the rent is exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for residential use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>B</i>	<i>Shaanxi Province</i>			
17.	Level 8, Block F, H and G, Jia Teng Building, Xi'an City, Shaanxi Province, the PRC	<p>The property comprises an office unit on Level 8 of a 14 storey office building completed in 2002.</p> <p>The property has a gross floor area of approximately 441.92 sq.m.</p>	<p>The property is leased to Xian Natural Beauty Mingyu Cosmetics Co., Ltd. by an independent third party for a term of three years from 1 October 2008 to 30 September 2011 at a monthly rent of RMB13,699.52 including management fee and utility charges.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage in February 2008. According to the PRC Legal Opinion, a consent has been obtained from the mortgagee for the lease.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
C	<i>Hainan Province</i>			
18.	Shops No. 109 and 202, Long Hua Ya Yuan, No. 39-2 Longhua Road, Haikou City, Hainan Province, the PRC	<p>The property comprises two shop units on Level 1 and 2, respectively of a 9 storey commercial building completed in about 2005.</p> <p>The property has a total gross floor area of approximately 598.79 sq.m.</p>	<p>The property is leased to Hainan Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term from 1 November 2008 to 31 October 2013 at a monthly rent of RMB51,311 for the first three years and to be increased at 5% for the forth and fifth year. The rent is exclusive of management fee and water, electricity and telephone charges.</p> <p>The property is currently occupied by the Group for shop use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>D</i>	<i>Sichun Province</i>			
19.	Levels 1 and 2, Nos. 216 and Level 2, 218 Shun Cheng Main Street, Chengdu City, Sichun Province, the PRC	<p>The property comprises an office unit on Levels 1 and 2 of a 3 storey (exclusive of a single storey basement) commercial building completed in 1993.</p> <p>The property has a total gross floor area of approximately 1,148 sq.m.</p>	<p>The property is leased to Chengdu Natural Beauty Cosmetics Co., Ltd. by an independent third party from 1 May 2001 to 11 January 2009 at an annual rent of RMB315,000 exclusive of the water and electricity charges.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The registered owner is China Cheng Da Chemical Company.
 - (b) According to the legal opinion, as per the joint venture construction contract, the sub-lessor Bei Hai International Commercial Holdings Co., Ltd. (South-west Branch) has the right to sub-lease the property to the Group upon 11 January 2009.
 - (c) The lease is legal and valid.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
20.	No. 9, Level 14, Block D, Shi Dai Yin Xiang, No. 1 Bei Dong Street, Qingyang District, Chengdu City, Sichun Province, the PRC	<p>The property comprises a residential unit on Level 14 of a 14 storey (exclusive of a single-storey basement) residential building completed in 2006.</p> <p>The property has a gross floor area of approximately 75.76 sq.m.</p>	<p>The property is leased to Chengdu Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term of one year from 25 September 2008 to 25 September 2009 at a monthly rent of RMB1,500 exclusive of management fee, utility charges and other outgoings.</p> <p>The property is currently occupied by the Group for residential use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Ma Tao, the spouse of the lessor shown on the tenancy agreement.
 - (b) The lease is legally effective and valid.
 - (c) The property is subject to a mortgage.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
E	<i>Beijing</i>			
21.	Basement Level 1 and Levels 1, 3 and 4, Zi Ran Mei Building, No. 68 South 3rd Huan Road Central, Fengtai District, Beijing, the PRC	<p>The property comprises the whole on Levels 1, 3 and 4 and basement Level 1 of a 23 storey (exclusive of 2-storey basement) commercial building completed in 2003.</p> <p>The property has a total gross floor area of approximately 3,663.87 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) respectively by a connected party for a term of two years from 1 December 2008 to 30 November 2010 at a total monthly rent of RMB290,000 exclusive of water and electricity charges.</p> <p>The property is currently occupied by the Group for store room and office uses.</p>	No commercial value

Notes:

1. According to the information provided by the Group, the lessor of the property is a connected party, which 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.

Dr. Tsai Yen Yu is the Chairwoman of the Company. Dr. Tsai Yen Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu are executive directors of the Company and a substantial shareholder holding 41.91%, 11.83% and 11.83% respectively of the entire issued share capital of the Company.

2. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
F	<i>Liaoning Province</i>			
22.	A portion of Level 1 located at No. 53 Bei Shun Cheng Road, Dadong District, Shenyang, Liaoning District, the PRC	<p>The property comprises a portion of Level 1 of an 8 storey commercial building completed in 1988.</p> <p>The property has a total gross floor area of approximately 200 sq.m.</p>	<p>The property is leased to Shenyang Branch of Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. by an independent third party. A portion of the property with a gross floor area of approximately 30 sq.m. is leased from 1 July 2008 to 30 June 2012 at a monthly rent of RMB1,250. The remaining portion with a gross floor area of approximately 170 sq.m. is leased from 1 October 2007 to 6 July 2012 at a monthly rent of RMB6,667 exclusive of operating outgoings.</p> <p>The property is currently occupied by the Group for office and store room uses.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
G	<i>Jilin Province</i>			
23.	Room 401, Gate 89-1 Dong Fang Zhi Zhu Xiao District, Changchun City, Jilin Province, the PRC	<p>The property comprises a residential unit on Level 4 of an 11 storey residential building completed in 2007.</p> <p>The property has a gross floor area of approximately 45 sq.m.</p>	<p>The property is leased to Changchun Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term of one year from 10 January 2008 to 10 January 2009 at a monthly rent of RMB800 including management and elevator fees but exclusive of other utility charges and outgoings.</p> <p>The property is currently occupied by the Group for staff quarters use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is not able to be ascertained due to the relevant title documents of the property were not registered and obtained.
2. According to the information provided, the lessor is an independent third party, which is not connected with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>H</i>	<i>Jiangsu Province</i>			
24.	Room 713, Yuan Dong Building, No. 575 Chang Xu Road, Suzhou City, Jiangsu Province, the PRC	<p>The property comprises an office unit on Level 7 of a 7 storey (exclusive of single-storey Basement) office building completed in 2000.</p> <p>The property has a gross floor area of approximately 104.15 sq.m.</p>	<p>The property is leased to Suzhou Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term of one year from 1 December 2008 to 30 November 2009 at a monthly rent of RMB3,957.7, exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
25.	Room 404, No. 404 Jing De Road, Suzhou City, Jiangsu Province, the PRC	<p>The property comprises a residential unit on Level 4 of a 5 storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 73.8 sq.m.</p>	<p>The property is leased to Suzhou Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term from 1 October 2008 to 30 September 2009 at a monthly rent of RMB1,700 exclusive of operating expenses</p> <p>The property is currently occupied by the Group for staff quarter use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>I</i>	<i>Shandong Province</i>			
26.	Unit 1-101, Block 2, No. 40 Zhang Zhou 1st Road, Qingdao City, Shandong Province, the PRC	<p>The property comprises a residential unit on Level 1 of a 7 storey residential building completed in 1997.</p> <p>The property has a gross floor area of approximately 297.58 sq.m.</p>	<p>The property is leased to Qindao Natural Beauty Ornaments Co., Ltd. by an independent third party for a term from 16 December 2008 to 15 February 2009 at a rent of RMB75,000 for the whole term, exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for residential use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
27.	Room 1702, Unit 1, Block 6, No. 20 Fu Zhou Road South, Qingdao City, Shandong Province, the PRC	<p>The property comprises a residential unit on Level 17 of an 18 storey commercial and residential building completed in 2001.</p> <p>The property has a gross floor area of approximately 175.01 sq.m.</p>	<p>The property is leased to Qindao Natural Beauty Ornaments Co., Ltd. by an independent third party for a term of three years from 5 March 2008 to 4 March 2011 at a monthly rent of RMB5,833.33 exclusive of any utility charges and other outgoings.</p> <p>The property is currently occupied by the Group for ancillary office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is not subject to any mortgage.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
28.	Unit 501, Shuo Yuan Commercial Building, No. 118 Shuo Yuan Main Street, Lixia District, Jinan City, Shandong Province, the PRC	<p>The property comprises an office unit on Level 5 of a 6 storey office building completed in about 1996.</p> <p>The property has a gross floor area of approximately 262 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party from 26 September 2008 to 5 October 2011.</p> <p>The annual rent of the first and second years is RMB172,134 and 5% increment in the third year. As informed by the Group, the rent is exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>J</i>	<i>Zhejiang Province</i>			
29.	A shop on Levels 1 and 2 located at No. 29 Dao Mao Lane, Qing Chun Road, Hangzhou City, Zhejiang Province, the PRC	<p>The property comprises a shop on Levels 1 and 2 of a 20 storey composite building completed in 2005.</p> <p>The property has a gross floor area of approximately 229.07 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Salian Cosmetics Co., Ltd. (PRC) by an independent third party for a term of five years from 17 July 2008 to 16 July 2013.</p> <p>The annual rent of the property in the first year is RMB300,000 at an 5% increment per annum exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for shop use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
30.	No. 19, Level 1, Block 5, Pu Fang Yuan, Hui Yuan Road, Xin Cheng Zhong New District, Wenzhou City, Zhejiang Province, the PRC	<p>The property comprises an office unit on Level 1 of a 6 storey composite building completed in about 2003.</p> <p>The property has a gross floor area of approximately 33.41 sq.m.</p>	<p>The property is leased to Wenzhou Natural Beauty Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 July 2008 to 30 June 2009 at a monthly rent of RMB1,045, exclusive of operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
K	<i>Anhui Province</i>			
31.	1302-2, Zhong Huan Guo Ji Guang Chang, Sheng Li Road, Yaohai District, Hefei City, Anhui Province, the PRC	<p>The property comprises an office unit on Level 13 of a 32 storey office building completed in about 2006.</p> <p>The property has a gross floor area of approximately 127.62 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 8 October 2008 to 7 October 2011 at a monthly rent of RMB4,800, exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
L	<i>Hunan Province</i>			
32.	Rooms 1121 and 1122, Jin Xiu Hua Tian, No. 259 Fu Rong Road Central (Section 1), Changsha City, Hunan Province, the PRC	<p>The property comprises two office units on the Level 11 of a 15 storey office building (exclusive of a single-storey basement) completed in 2002.</p> <p>The property has a total gross floor area of approximately 161.29 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 15 September 2008 to 31 December 2010 at a monthly rent of RMB5,600, exclusive of management fee, water and electricity charges.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
M	<i>Tianjin</i>			
33.	Room A-0305, Shi Dai Gong Yu, An Shan Xi Dao, Nankai District, Tianjin City, the PRC	<p>The property comprises a residential unit on Level 3 of a 26 storey composite building completed in 2004.</p> <p>The property has a gross floor area of approximately 155.33 sq.m.</p>	<p>The property is leased to Tianjin Natural Beauty Cosmetics Co., Ltd. by an independent third party for a term from 10 April 2006 to 9 April 2009 at a monthly rent of RMB4,700 exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for residential use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is subject to mortgage. The consent issued by the mortgagee for the lease has not been obtained.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
N	Chongqing			
34.	Units B and C, Level 17, Hui Yuan Building, No. 157 Zhongshan 3rd Road, Yuzhong District, Chongqing City, the PRC	<p>The property comprises two office units on the Level 17 of a 29 storey office building (exclusive of 2-storey basement) completed in 1998.</p> <p>The property has a gross floor area of approximately 250 sq.m.</p>	<p>The property is leased to Chongqing Branch of Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 August 2007 to 31 July 2011 at a monthly rent of RMB4,725 exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is not able to be ascertained due to the relevant title documents of the property were not registered and obtained.
 - (b) Both lessor and lessee had agreed that the lease agreement to be terminated, effective 31 January 2009.
2. According to the information provided, the lessor is an independent third party, which is not connected with and is independent of, any of the directors or any of their respective associates of the Company.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008												
35. Level 2, Ancillary Building of Wen Hua Tian Cheng, No. 20 Hong Huang Road, Jiangbei District, Chongqing City, the PRC	<p>The property comprises the whole on the Level 2 of a 29 storey office building (exclusive of 4-storey basement) completed in 2005.</p> <p>The property has a gross floor area of approximately 1,400 sq.m.</p>	<p>The property is leased to Chongqing Branch of Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 20 August 2008 to 19 August 2018 at a monthly rent as follows:</p> <table border="1" data-bbox="703 629 969 832"> <thead> <tr> <th data-bbox="703 629 750 653">Year</th> <th data-bbox="918 629 969 653">RMB</th> </tr> </thead> <tbody> <tr> <td data-bbox="703 687 780 710">1 and 2</td> <td data-bbox="905 687 969 710">52,500</td> </tr> <tr> <td data-bbox="703 717 780 740">3 and 4</td> <td data-bbox="905 717 969 740">55,650</td> </tr> <tr> <td data-bbox="703 746 780 770">5 and 6</td> <td data-bbox="905 746 969 770">58,996</td> </tr> <tr> <td data-bbox="703 776 780 800">7 and 8</td> <td data-bbox="905 776 969 800">62,524</td> </tr> <tr> <td data-bbox="703 806 789 829">9 and 10</td> <td data-bbox="905 806 969 829">66,276</td> </tr> </tbody> </table> <p>The rent is exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use</p>	Year	RMB	1 and 2	52,500	3 and 4	55,650	5 and 6	58,996	7 and 8	62,524	9 and 10	66,276	No commercial value
Year	RMB														
1 and 2	52,500														
3 and 4	55,650														
5 and 6	58,996														
7 and 8	62,524														
9 and 10	66,276														

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008								
O	<i>Jianqxi Province</i>											
36.	Room 1203, and a carparking space Hua Long Guo Ji Building, No. 96 Ba Yi Boulevard, Xihu District, Nanchang City, Jiangxi Province, the PRC	<p>The property comprises an office unit on the Level 12 and a carparking space of a 29 storey office building completed in about 2006.</p> <p>The property has a gross floor area of approximately 167.76 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 January 2008 to 31 December 2010 at a monthly rent as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Monthly Rent</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>RMB5,871.6 plus RMB400 for a carparking space</td> </tr> <tr> <td>2</td> <td>RMB6,374.88 plus RMB400 for a carparking space</td> </tr> <tr> <td>3</td> <td>RMB6710.4 plus RMB400 for a carparking space</td> </tr> </tbody> </table> <p>The rent is exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use</p>	Year	Monthly Rent	1	RMB5,871.6 plus RMB400 for a carparking space	2	RMB6,374.88 plus RMB400 for a carparking space	3	RMB6710.4 plus RMB400 for a carparking space	No commercial value
Year	Monthly Rent											
1	RMB5,871.6 plus RMB400 for a carparking space											
2	RMB6,374.88 plus RMB400 for a carparking space											
3	RMB6710.4 plus RMB400 for a carparking space											

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
<i>P</i>	<i>Fu Yi Company/Qing Bo Company/San Lian Company</i>			
37.	A store room on Level 5, Block 3, No. 841 Hu Tai Road, Chongming County, Shanghai City, the PRC	<p>The property comprises a store room on Level 5 of a 6 storey warehouse building completed in 1989.</p> <p>The property has a gross floor area of approximately 4,000 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 16 July 2007 to 15 July 2010 at a monthly rent of RMB96,000 for the first year, RMB98,400 for the second year and RMB100,800 for the third year. The rent is exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for store room use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
38.	No. 201-1, Huang Zhuang Road South, Baiyun District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a warehouse unit on Level 1 of an 8 storey warehouse building completed in 1993.</p> <p>The property has a gross floor area of approximately 1,000 sq.m.</p>	<p>No commercial value</p>
		<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 May 2008 to 30 April 2010 at a monthly rent of RMB22,000 exclusive of management fee and other operating outgoings.</p> <p>The property is currently occupied by the Group for warehouse use.</p>	

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Taihe Town Economic Development Company, Guangzhou Junpan Enterprise Company Limited is the authorized person to represent the owner to lease the property.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
Q	<i>San Lian Company</i>			
39.	Room 805, No. 245 Tian Ping Road, Xuhui District, Shanghai City, the PRC	<p>The property comprises an office unit on Level 8 of a 9 storey office building completed in about 1992.</p> <p>The property has a gross floor area of approximately 161 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 August 2007 to 31 July 2012 at a monthly rent of RMB12,500 for the first three years and to be increased to RMB13,125 for the forth and fifth years, exclusive of management fee and operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Shanghai Woman Committee. Jin Guo Yuan is the authorized person representing the owner to lease the property to the Group.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
40. North east zone of Zhen Yuan Yi Chang and entrance of Xin Ze Yuan Yuan Yi Chang, Jiading District, Shanghai City, the PRC	The property comprises a parcel of land with a total site area of approximately 103 mou (approximately 68,667.01 sq.m.) and various structures erected thereon.	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 1 December 2004 to 30 November 2024 at a monthly rent of RMB400,000 and the rent to be reviewed by RMB20,000 every 3 years. The rent is exclusive of operating outgoings.</p> <p>The property is currently occupied by the Group for office use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in the lessor.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
41. Basement 1, Block 6, No. 355 Long Shan Road, Yubei District, Chongqing City, Chongqing, the PRC	<p>The property comprises a warehouse unit on Basement Level 1 of a 29-storey building (exclusive of 3-storey basement) completed in about 2007.</p> <p>The property has a gross floor area of approximately 1,068 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Sanlian Cosmetics Co., Ltd. (PRC) by an independent third party for a term from 15 April 2008 to 14 April 2011 at a monthly rent of RMB12,282 for the first year and to be increased at 7% per annum exclusive of management fee and operating outgoings.</p> <p>The property is occupied by the Group for warehouse use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The lease is legally effective and valid.
 - (b) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
R	<i>Zi Ran Mei Company</i>			
42.	A factory located at Blocks 18 and 24, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	<p>The property comprises two single-storey factory buildings.</p> <p>The property has a total gross floor area of approximately 1,154 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Cosmetics Co., Ltd (PRC) by an independent third party for a term from 1 April 2008 to 31 March 2009 at an annual rent of RMB70,000 exclusive of water and electricity charges.</p> <p>The property is occupied by the Group for warehouse use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Shanghai Yingtong (Group) Co., Ltd.. The lessor, Shanghai Jinyingfeng Asset Management Co., Ltd., is an authorized person representing the owner to lease the property to the Group.
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage on 19 November 2008.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
43. A factory located at Blocks 26 and 27, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	<p>The property comprises two single-storey factory buildings.</p> <p>The property has a total gross floor area of approximately 526 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Cosmetics Co., Ltd (PRC) by an independent third party for a term from 1 May 2008 to 31 March 2009 at a monthly rent of RMB3,000, exclusive of water and electricity charges.</p> <p>The property is occupied by the Group for warehouse use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Shanghai Yingtong (Group) Co., Ltd.. The lessor, Shanghai Jinyingfeng Asset Management Co., Ltd., is an authorized person representing the owner to lease the property to the Group.
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage on 19 November 2008.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
44. A factory located at Block 23, No. 299 Bei Men Road, Cheng Qiao Town, Shanghai City, the PRC	<p>The property comprises a single-storey factory building.</p> <p>The property has a gross floor area of approximately 260 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Cosmetics Co., Ltd (PRC) by an independent third party for a term from 1 December 2008 to 31 March 2009 at a monthly rent of RMB1,500, exclusive of water and electricity charges.</p> <p>The property is occupied by the Group for warehouse use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The ownership of the property is vested in Shanghai Yingtong (Group) Co., Ltd.. The lessor, Shanghai Jinyingfeng Asset Management Co., Ltd., is an authorized person representing the owner to lease the property to the Group.
 - (b) The lease is legally effective and valid.
 - (c) The property was subject to a mortgage on 19 November 2008.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
S	<i>Fu Li Company</i>			
45.	No. 309, Feng Pao Gong Lu, Hai Wan Tourist District, Fengxian District, Shanghai City, the PRC	<p>The property comprises a parcel of land with site area of approximately 5,250 sq.m. and various buildings erected thereon.</p> <p>The buildings erected thereon have a total gross floor area of approximately 3,600 sq.m.</p>	<p>The property is leased to Shanghai Natural Beauty Fuli Cosmetics Co. Ltd. by an independent third party for a term from 1 January 2008 to 31 December 2009 at an annual rent of RMB100,000 exclusive of operating outgoings.</p> <p>The property is currently occupied by the Group for factory use.</p>	No commercial value

Notes:

1. The PRC Legal Opinion has stated that:
 - (a) The collective land use rights is vested in Fengxian District Harbour Tourist Committee.
 - (b) The lease is legally effective and valid.
 - (c) The property is free from any mortgages.
2. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

Group VII – Property interests leased by the Group in Macau

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
46.	Shop 2128 The Grand Canal Shoppes, The Venetian Macao, Estrada Da Baia De Nossa Senhora Da Esperanca No. S/N, Estrada Do Istmo (Coloane) No. S/N, Taipa, Macau	<p>The property comprises a retail unit on Level 3 of a 4 storey building completed in about 2007.</p> <p>The property has an area of approximately 102.01 sq.m. (1,098 sq. ft).</p>	<p>The property is leased to Natural Beauty Bio-Technology (Macao) Company Limited by an independent third party from 4 June 2007 to 3 June 2010 at a monthly rent of base fee of HK\$142,740 plus turnover fee. The turnover fee is the amount (if any) by which 15% of the turnover in each calendar year (1 January to 31 December) of the term exceeds the total base fee payable for the property for the same period. The rent is exclusive of management fee and other operating outgoings.</p> <p>The property is occupied by the Group for retail use.</p>	No commercial value

Notes:

1. The property comprises a retail unit on Level 3 of Venetian Macao, Estrada Da Baia De Nossa Senhora Da Esperanca No. S/N, Estrada Do Istmo (Coloane) No. S/N, Coloane, Macau.
2. The property is mortgaged in favour of The Bank of Nova Scotia to secure banking facilities to an amount of US\$4,600,000,000.
3. The Macau Legal Opinion states, *inter alia*, the following:
 - (i) The Venetian (the lessor) is the lawful owner of the property.
 - (ii) The lease agreement has been duly executed and constitutes legal, valid and binding obligations of Natural Beauty, enforceable against it in accordance with the terms thereof, to the extent and in accordance with the governing law of such Right to Use Agreement.
 - (iii) The referred Property Registration Certificate states that the property is encumbered with a registered mortgage on the property of the amount of US\$4,600,000,000 in favor of The Bank of Nova Scotia, and was given as a security for a facility agreement and a bank guarantee.
 - (iv) No consents, including from the Bank/Guarantor, licenses, permits, approvals, authorizations of, declarations to, exemptions, filing with, registration or notarization by any authority, bureau or agency are required in connection with the entry into, delivery, performance, validity, enforceability or admissibility in evidence of the Right to Use Agreement in the Macau.
4. According to the information provided, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
47. Unit Q on Level 28, Kinglight Garden (Fok Yuen, Fai Yuen, Lei Yuen, Kam Yuen), No. 345 Rua De Braganca, Na Taipa, Macau	<p>The property comprises a unit on Level 28 of a 39-storey residential building (exclusive of a basement) completed in or about 1994.</p> <p>The property has a saleable area of approximately 62.35 sq.m.</p>	<p>The property is leased to Zhong Jian Ling by an independent third party for a term of one year commencing from 8 February 2008 to 7 February 2009 at a monthly rent of HK\$5,300 exclusive of management fee and operating outgoings.</p> <p>The property at present is occupied by the Group for residential use.</p>	No commercial value

Notes:

1. According to the Informacao Por Escrito Do Registo Predial (The Land Register in Macau), the current registered owner of the property is the lessor, Su Chunmei.
2. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
3. The Macau Legal Opinion states, *inter alia*, the following:
 - (i) Su Chun Mei (the lessor) is the lawful owner of the property.
 - (ii) The lease agreement has been signed by Ms. Chung King Ling on behalf of the Group, it is not supported by any document that this appointment of the signee to execute it on behalf of the Group.
 - (iii) The lease agreement does not constitute legal, valid and binding obligations of the Group.
 - (iv) The property is not subject to any mortgages nor is charged by any other guarantee or encumbrances.

Group VIII – Property interests leased by the Group in Taiwan

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
48.	Levels 1 to 5 and basement, No. 78 Kunming Street, Wanhua District, Taipei City, Taiwan	<p>The property comprises the whole of a 5-storey retail building (exclusive of a basement) completed in 1974.</p> <p>The property has a total gross area of approximately 564.17 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of ten years from 4 September 1999 to 3 September 2009 at a monthly rent of NT\$50,000, exclusive of any management fee and other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Mega International Commercial Bank Co., Ltd. dated 10th July 2006 vide a memorial no. Wan Hua Zi No. 127730 at a loan amount of NT\$100,440,000.

			Market Value in existing state as at 31 December 2008	
Property	Description	Particulars of occupancy		
49.	Shop located on Levels 1 and 2, No. 150 Yonghe Road – Section 1, Yonghe City, Taipei County, Taiwan	<p>The property comprises the whole on levels 1 and 2 of a 12-storey commercial building completed in 1998.</p> <p>The property has a total gross area of approximately 171.86 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party from 13 July 2008 to 12 January 2009 at a monthly rent of NT\$148,611 exclusive of management fee and other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties;
 - (c) The property is subject to a mortgage in favour of Cathay United Bank Co., Ltd. dated 11 June 2001 vide a memorial no. Bei Zhong Di Deng Zi No. 225190 at a loan amount of NT\$24,000,000; and
 - (d) The property is subject to a mortgage in favour of Cathay United Bank Co., Ltd. dated 3 April 2008 vide a memorial no. Bei Zhong Di Deng Zi No. 089440 at a loan amount of NT\$12,000,000.
4. According to the tenancy agreement, the lease term is expired as at 12 January 2009. According to the information provided by the Group, the new tenancy is under negotiation.

			Market Value in existing state as at 31 December 2008
Property	Description	Particulars of occupancy	
50.	Level 7, No. 439 Bade Road – Section 2, Songshan District, Taipei City, Taiwan.	The property comprises a residential and a commercial units on Level 7 of a 12 storey commercial/residential building completed in 1981. The property has a total gross area of approximately 213.29 sq.m.	No commercial value
		The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from a connected party for a term of two years from 1 January 2007 to 31 December 2008 at a monthly rent of NT\$70,000 exclusive of other operating outgoings. The property is occupied by the Group as beauty salon.	

Notes:

1. As advised by the Group, the lessor is a connected party, is an executive director of the Company, and a substantial shareholder holding 11.83% of the entire issued share capital of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is free from any mortgages.
4. According to a tenancy agreement entered into between the lessor and Natural Beauty Bio-Technology co., Ltd. (Formerly known as Natural Beauty Cosmetics Co., Ltd.) (the "Lessee") dated 3 November 2008, the tenancy of the property has been renewed for a term from 1 January 2009 to 31 December 2010 at a monthly rent of NT\$70,000 exclusive of other operating outgoings.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
51. Basement and Level 1, No. 2, Lane 222, Dun hua Road North, Taipei City, Taiwan	<p>The property comprises the Basement Level and Level 1 of a 7-storey commercial building completed in 1984.</p> <p>The property has a total gross area of approximately 328.78 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of five years from 15 March 2005 to 14 March 2010 at a monthly rent of NT\$155,000 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of E. Sun Bank Co., Ltd. dated 6 April 2001 vide a memorial no. Song Shan Zi No. 048450 at a loan amount of NT\$14,640,000.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
52. Level 2, No.34, Lane 141, Daan Road – Section 2 (formerly known as Level 1, No. 19 Siwei Road), Taipei, Taiwan	<p>The property comprises the level 1 of a 4-storey residential building completed in 1976.</p> <p>The property has a total gross area of approximately 91.08 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of 5 years commencing from 20 July 2004 to 19 July 2009 at a monthly rent of NT\$90,000 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is free from any mortgages.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
53. Nos. 81 and 83 Sanmin Road – Section 3, North District Taizhong City, Taiwan	<p>The property comprises the whole of a 4-storey commercial building completed in 1974.</p> <p>The property has a total gross floor area of approximately 549.84 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of 5 years commencing from 1 April 2005 to 30 June 2010 at a monthly rent of NT\$52,778 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Shun Kong Commercial Bank Co., Ltd. dated 17 January 2007 vide a memorial no. Pu Zi No. 013030 at a loan amount of NT\$24,000,000.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
54. No. 2 of 127, Wenheng 2nd Road, Lingya District, Kaohsiung City, Taiwan	The property comprises the whole of a 5-storey commercial/residential building completed in 2005. The property has a total gross area of approximately 366.93 sq.m.	The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of five years commencing from 18 January 2006 to 17 January 2011 at a monthly rent of NT\$158,000 exclusive of any management fee and other operating outgoings. The property is occupied by the Group as beauty salon.	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Bank Sinopac Co., Ltd. dated 11 March 2008 vide a memorial no. Ling Zhuan Zi No. 00500 at a loan amount of NT\$39,600,000.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
55. Unit 5 on Level 6, No. 22 Jilong Road – Section 2, Taipei City, Taiwan	<p>The property comprises a commercial unit on Level 6 of a 12-storey commercial building completed in 1980.</p> <p>The property has a gross area of approximately 98.14 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of four years commencing from 10 May 2008 to 9 May 2012 at a monthly rent of NT\$30,000 inclusive of tax but exclusive of other operating outgoings</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Taipei Fubon Commercial Bank Co., Ltd. dated 21 February 1981 vide a memorial no. Da An Zi No. 042720 at a loan amount of NT\$1,300,000.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
56.	Level 3, No. 24 Lane 170 Siwei Road, Taipei City, Taiwan	<p>The property comprises a unit on Level 3 of a 4-storey residential building completed in 1975.</p> <p>The property has a total gross area of approximately 79.56 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of one year from 19 June 2008 to 18 June 2009 at a monthly rent of NT\$18,000, exclusive of tax and other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Hong Kong Shanghai Bank Corporation Holdings Limited dated 28 June 2005 vide a memorial no. Da An Zi No. 209070 at a loan amount of NT\$5,700,000.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
57.	No. 109 Lizhong Road, Zuoying District, Kaohsiung City, Taiwan	<p>The property comprises the whole block of a 3-storey commercial/residential building completed in 1991.</p> <p>The property has a total gross area of approximately 161.86 sq.m..</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of one year commencing from 10 July 2008 to 9 July 2009 at a monthly rent of NT\$20,000 inclusive of tax but exclusive of other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is free from any mortgages.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
58.	Level 3, No. 53 Fulian Road East, East District, Tainan City, Taiwan	<p>The property comprises the level 3 of a 4-storey commercial/residential building completed in 2004.</p> <p>The property has a total gross area of approximately 137.63 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of five years from 1 July 2007 to 30 June 2012. The monthly rent of NT\$52,000 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group as beauty salon.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is free from any mortgages.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
59.	Levels 1, 2 and a room on the front portion of Level 3, No.24 Lane 109, Meicun Road – Section 2, Taizhong City, Taiwan	The property comprises levels 1, 2 and a unit on level 3 of a 3-storey commercial/residential building completed over 30 years. According to the information provided by the Group, the property has a total gross area of approximately 198.35 sq.m.	The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of one year from 1 January 2008 to 31 December 2008 at a monthly rent of NT\$8,000 inclusive of tax but exclusive of other operating outgoings. The property is occupied by the Group as beauty salon.	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group’s Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is free from any mortgages.
4. According to the information provided by the Group, the Group has no longer lease the property upon the expiry of the tenancy.

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
60.	Level 8 and carparking spaces No.s 144 and 145 on basement level 1, No.9 Lane 155, Beishen Road – Section 3, Shengkeng Village, Taipei County, Taiwan.	<p>The property comprises level 8 of a 10-storey industrial building completed in 1993.</p> <p>The property has a total gross area of approximately 287.72 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from an independent third party for a term of three years commencing from 15 August 2007 to 14 August 2010 at a monthly rent of NT\$57,500 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group for industrial, storage and carparking uses.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is an independent third party, which is not connect with and is independent of, any of the directors or any of their respective associates of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties;
 - (c) The property is subject to a mortgage in favour of Bank of Taiwan Co., Ltd. dated 2 February 2007 vide a memorial no. Xin Deng Zi No. 023730 at a loan amount of NT\$17,000,000; and
 - (d) The property is subject to a mortgage in favour of E. Sun Commercial Bank Co., Ltd. dated 9 July 2008 vide a memorial no. Chong Dian Deng Zi No. 009600 at a loan amount of NT\$18,000,000.

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
61. No. 8 Zhuangjing Road and Levels 2 to 4 and 21 carparking spaces, Songqin Street, Xinyi District, Taipei City, Taiwan	<p>The property comprises levels 1 to 4 and 21 carparking spaces of a 19-storey commercial/office building completed in 2007.</p> <p>The property has a total gross area of approximately 2,811.66 sq.m.</p>	<p>The property is leased to Natural Beauty Cosmetics Company Limited (Taiwan) from a connected party for a term of two years commencing from 1 November 2008 to 31 October 2010 at a monthly rent of NT\$2,250,000 exclusive of other operating outgoings.</p> <p>The property is occupied by the Group for office, beauty salon and carparking uses.</p>	No commercial value

Notes:

1. As advised by the Group, the lessor is a connected party, is the Chairwoman and an executive director of the Company, and a substantial shareholder holding 41.91% of the entire issued share capital of the Company.
2. According to the information provided by the Group, Natural Beauty Bio-Technology Co., Ltd. was formerly known as Natural Beauty Cosmetics Co., Ltd..
3. According to the legal opinion prepared by the Group's Taiwan legal adviser, Her Han Intellectual Property Office, the following opinions are noted:
 - (a) The lessor is the current registered owner of the property;
 - (b) The tenancy agreement entered into between the lessor and the Group is valid and legally effective among the parties; and
 - (c) The property is subject to a mortgage in favour of Taiwan Cooperative Bank Co., Ltd. dated 9 April 2008 vide a memorial no. 069930 at a loan amount of NT\$606,000,000.

Group IX – Property interests leased by the Group in Malaysia

	Property	Description	Particulars of occupancy	Market Value in existing state as at 31 December 2008
62.	No.1-1, Wisma Low Siew Eng, Jalan 1/92C, Off Batu 3 ¼, Jalan Cheras, 56100 Kuala Lumpur, Malaysia	The property comprises an office unit on the first floor of a 4 storey composite building with 1 basement car park completed in 1999. The property has a total main floor area of approximately 160.1 sq.m.	The property is leased to Billion Synergy Sdn. Bhd. by an independent third party for a term of two years from 1 August 2007 to 31 July 2009 at a monthly rent of RM2,500, exclusive of electricity, water and telephone charges. The property is occupied by the Group for office use.	No commercial value

Notes:

1. According to the legal opinion prepared by the Group's Malaysia legal adviser, the following opinions are noted:
 - (i) The Group has entered into the lease agreement legally and has complied with all the legal requirements under Malaysian law relating to a lease agreement.
 - (ii) The Group appears to have complied with all the government requirements in entering the lease agreement and the occupation of the premises.
2. According to the information provided, the lessor is an independent third party, which is not connected with and is independent of, any of the directors or any of their respective associates of the Company.

1. FINANCIAL INFORMATION ON BIDCO, HOLDCO AND CVC HOLDCO

Bidco and Holdco are exempted companies incorporated in the Cayman Islands with limited liability on 31 October 2008. CVC Holdco is an exempted company incorporated in the Cayman Islands with limited liability on 19 June 2007. The Offeror Group Companies were established in this investment structure for the purposes of the proposed acquisition of NBBL and the principal business of each of the Offeror Group Companies is investment holding. Each of the Offeror Group Companies are companies with nominal assets and liabilities and have not conducted any business to date.

As each of the Offeror Group Companies has not conducted any business to date and as such has not received or expended money, sold or purchased goods and only has nominal assets and liabilities, books of accounts were not required to be kept as a matter of the laws of the Cayman Islands, and were, in fact, not kept by each of the Offeror Group Companies. In view of the above, the Executive has waived the requirement under paragraph 12(a) of Schedule I of the Takeovers Code pursuant to which Holdco and Bidco shall disclose each of their respective financial information for the last three financial years for which the information has been published or since they were incorporated.

2. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme, the Offeror Group and NBBL.

The NBBL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than that relating to the Offeror Group and its affiliates, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and statements expressed in this document, other than those expressed by the Bidco Directors, have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statements in this document misleading.

The Bidco Directors, the Holdco Directors and the CVC Holdco Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than that relating to the NBBL Group, the Committed Shareholders and their respective affiliates, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and statements expressed in this document, other than those expressed by NBBL Directors, have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statements in this document misleading.

3. SHARE CAPITAL OF NBBL

As at the Latest Practicable Date, the authorised and issued share capital of NBBL were as follows:

<i>Authorised:</i>	<i>HK\$</i>
4,000,000,000 NBBL Shares	400,000,000.00
<i>Issued and fully paid up:</i>	
2,000,639,430 NBBL Shares	200,063,943.00

All of the NBBL Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. Other than 639,430 NBBL Shares which were issued upon the exercise of NBBL Options, no other NBBL Shares were issued during the period from 31 December 2007 (being the end of the last financial year of NBBL) to the Latest Practicable Date.

NBBL Shares are listed on the Stock Exchange and none of the securities of NBBL are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were 2,852,887 NBBL Options outstanding. If all of such NBBL Options are exercised, a total of 2,852,887 new NBBL Shares will be issued.

As at the Latest Practicable Date, apart from NBBL Options there were no outstanding options, warrants, derivatives or convertible securities in respect of NBBL Shares.

As at the Latest Practicable Date, there were no outstanding derivatives in respect of NBBL Shares entered into by the Offeror Group Companies or any person acting in concert with Bidco.

4. MARKET PRICES OF NBBL SHARES, BIDCO SHARES AND HOLDCO SHARES

- (a) The highest and lowest closing prices of NBBL Shares as quoted by the Stock Exchange during the Relevant Period were HK\$2.07 per NBBL Share on 30 May 2008 and HK\$0.99 per NBBL Share on 29 October 2008, respectively.

- (b) The table below sets out the closing prices of NBBL Shares as quoted by the Stock Exchange on the last business day of each of the six calendar months immediately preceding the Announcement on which trading of NBBL Shares took place up to the Latest Practicable Date:

Dates	Closing price (HK\$)
30 May 2008	2.07
30 June 2008	1.55
31 July 2008	1.57
29 August 2008	1.67
30 September 2008	1.67
31 October 2008	1.05
5 November 2008 (Last Trading Day) (<i>Note</i>)	1.42
28 November 2008	1.17
31 December 2008	1.21
23 January 2009, being the Latest Practicable Date	1.20

Note: This is the closing price on the Last Trading Day. NBBL Shares were suspended from trading on the Stock Exchange from 9:30 a.m. on 6 November 2008 and resumed trading at 9:30 a.m. on 26 November 2008.

Bidco Shares and Holdco Shares are not listed on any stock exchange. As such, no market price information is available relating to Bidco Shares and Holdco Shares.

Upon the incorporation of Bidco on 31 October 2008, one Bidco Share was allotted to a nominee of Walkers SPV Limited, the registered office service provider of Bidco. Pursuant to a share transfer form dated 4 November 2008 as approved by the resolutions passed by Bidco Board during the Bidco Board meeting on 4 November 2008, the nominee transferred his Bidco Share to Holdco for a consideration of US\$0.01.

Upon the incorporation of Holdco on 31 October 2008, one Holdco Ord Share was allotted to a nominee of Walkers SPV Limited, the registered office service provider of Holdco. Pursuant to a share transfer form dated 4 November 2008 as approved by the resolutions passed by Holdco Board during the Holdco Board meeting on 4 November 2008, the nominee had transferred his Holdco Ord Share to CVC Holdco for a consideration of US\$0.01.

Apart from the above, no transactions with respect to Bidco Shares and Holdco Shares had taken place since the date of the incorporation of Bidco and Holdco respectively.

5. DISCLOSURE OF INTERESTS IN NBBL SHARES

(a) Directors' interests and short positions in NBBL Shares and shares in NBBL's associated corporations

As at the Latest Practicable Date, the following NBBL Directors had, or were deemed to have, interests and short positions in NBBL Shares, underlying NBBL Shares and debentures of NBBL or shares, underlying shares and debentures of any of NBBL's associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to NBBL and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to NBBL and the Stock Exchange:

NBBL Director	Nature of interest	Number of NBBL Shares owned ('000)	% of the total issued share capital (rounded up to the nearest four decimal places)
Dr. Tsai Yen-Yu	Interest of controlled companies ^(a)	838,530	41.9131
Mr. Lee Ming Ta	Interest of his spouse ^(b)	838,530	41.9131
Dr. Su Chien Cheng	Interest of controlled companies ^(c)	236,580	11.8252
Dr. Su Sh Hsyu	Interest of controlled companies ^(d)	236,580	11.8252

Notes:

- (a) Dr. Tsai Yen-Yu is the beneficial owner of the entire issued share capital of Knightcote Enterprises Limited, which in turn beneficially owns the entire issued share capital of Efficient Market, and is therefore deemed to be interested in the 838,530,000 NBBL Shares held by Efficient Market.
- (b) Mr. Lee Ming Ta is the spouse of Dr. Tsai Yen-Yu and is therefore deemed to be interested in the 838,530,000 NBBL Shares that Dr. Tsai Yen-Yu is deemed to be interested in.
- (c) Dr. Su Chien Cheng is the beneficial owner of the entire issued share capital of Beautivalue Holdings Limited, which in turn beneficially owns the entire issued share capital of Adventa Group, and is therefore deemed to be interested in the 236,580,000 NBBL Shares held by Adventa Group.

- (d) Dr. Su Sh Hsyu is the beneficial owner of the entire issued share capital of Colour Shine Holdings Limited, which in turn beneficially owns the entire issued share capital of Fortune Bright, and is therefore deemed to be interested in the 236,580,000 NBBL Shares held by Fortune Bright.

As at the Latest Practicable Date, save as disclosed above in this paragraph 4(a) none of the NBBL Directors had any interests in any NBBL Shares, NBBL Options or any other or any convertible securities, warrants, options or derivatives in respect of NBBL Shares. As at the Latest Practicable Date, other than the Committed Shareholders in respect of which certain NBBL Directors are interested, no NBBL Director had any interests in NBBL Shares and therefore according to shareholding as at the Latest Practicable Date, no NBBL Directors other than the Committed Shareholders (which are beneficially wholly-owned by Dr. Tsai Yen-Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu who are NBBL Directors) will be voting at the Court Meeting or the EGM.

Pursuant to the Irrevocable Undertakings, the Committed Shareholders have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and to elect the Private Holdco Shares Alternative as the form of Cancellation Consideration in respect of the Committed Shares.

As at the Latest Practicable Date, save as disclosed in paragraph 5 in Appendix III to this document, none of the Offeror Group Companies or any persons acting in concert with Bidco, or the Bidco Directors, Holdco Directors or CVC Holdco Directors had any interests in any NBBL Shares, NBBL Options or any other or any convertible securities, warrants, options or derivatives in respect of NBBL Shares.

(b) Interests and short positions of substantial shareholders and other persons required to be disclosed under the SFO*1. Interests in NBBL*

As at the Latest Practicable Date, the following persons (other than the NBBL Directors) had, or were deemed to have, interests in NBBL Shares and underlying NBBL Shares as recorded in the register required to be kept under Section 336 of the SFO:

	Capacity	Number of NBBL Shares owned ('000)	% of the total issued share capital (rounded up to the nearest four decimal places)
Efficient Market ^(a)	Beneficial owner	838,530	41.9131
Knightcote Enterprises Limited ^(a)	Interest of controlled companies	838,530	41.9131
Adventa Group ^(b)	Beneficial owner	236,580	11.8252
Beautivalue Holdings Limited ^(b)	Interest of controlled companies	236,580	11.8252
Fortune Bright ^(c)	Beneficial owner	236,580	11.8252
Colour Shine Holdings Limited ^(c)	Interest of controlled companies	236,580	11.8252
Martin Currie (Holdings) Limited ^(d)	Beneficial owner	174,096	8.7020
Keywise Capital Management (HK) Limited ^(e)	Beneficial owner	161,540	8.0744
UBS AG	Beneficial owner	120,737	6.0349
Citibank N.A. ^(f)	Custodian	5,535.4	0.28

Notes:

- (a) Efficient Market is beneficially wholly-owned by Knightcote Enterprises Limited and Knightcote Enterprises Limited is therefore deemed to be interested in the 838,530,000 NBBL Shares which Efficient Market is beneficially interested in.
- (b) Adventa Group is beneficially wholly-owned by Beautivalue Holdings Limited and Beautivalue Holdings Limited is therefore deemed to be interested in the 236,580,000 NBBL Shares which Adventa Group is beneficially interested in.
- (c) Fortune Bright is beneficially wholly-owned by Colour Shine Holdings Limited and Colour Shine Holdings Limited is therefore deemed to be interested in the 236,580,000 NBBL Shares which Fortune Bright is beneficially interested in.
- (d) Martin Currie (Holdings) Limited was incorporated in Bermuda in October 2007. It is headquartered in Edinburgh and is the holding company of Martin Currie Ltd, an investment management services firm managing over US\$25.0 billion in funds as at 30 June 2008.
- (e) Keywise Capital Management (HK) Limited, headquartered in Hong Kong, is a hedge fund specialising in small-cap investments across the Greater China region, according to www.InvestHK.gov.hk.
- (f) Citibank N.A., which is presumed to be a person acting in concert with Bidco, held 5,535,400 NBBL Shares as custodian on behalf of its clients (who are beneficial owners thereof and who control the entire voting rights attaching thereto) and of which Citibank N.A. does not have discretionary management of as at Latest Practicable Date.

2. *Short positions in NBBL Shares and underlying NBBL Shares*

As at the Latest Practicable Date, there is no person who had short positions in NBBL Shares and underlying NBBL Shares recorded in the register required to be kept by NBBL pursuant to Section 336 of the SFO.

(c) **Other Interests**

As at the Latest Practicable Date, save as disclosed above in paragraph 5(b) to Appendix III of this document:

- (i) none of the Offeror Group Companies nor any persons acting in concert with Bidco owned or controlled or had any interest or short positions which they had taken or deemed to have taken under such provisions of the SFO in any NBBL Shares or any convertible securities, warrants, options or derivatives in respect of NBBL Shares;
- (ii) none of the subsidiaries of NBBL, nor any of the pension funds of the NBBL Group and any adviser to NBBL as specified in class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares;
- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with NBBL or with any person who is an

associate of NBBL by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or the Offeror Group Companies or any person acting in concert with Bidco had any NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares;

- (iv) no fund managers connected with NBBL who managed funds on a discretionary basis owned or controlled any NBBL Shares, NBBL Options or any other or any convertible securities, warrants, options or derivatives in respect of NBBL Shares; and
- (v) none of NBBL, the NBBL Directors, Bidco or any persons acting in concert with Bidco had borrowed or lent any NBBL Shares, NBBL Options or any other or any convertible securities, warrants, options or derivatives in respect of NBBL Shares save for any NBBL Shares which had been either on-lent or sold.

6. SHARE CAPITAL OF HOLDCO AND CAPITAL, DIVIDENDS & VOTING RIGHTS OF HOLDCO SHARES

Share capital of Holdco

On 9 November 2008, CVC Holdco, the sole shareholder of Holdco passed a resolution to authorise the increase of the authorised issued share capital of Holdco from US\$50,000 (divided into 5,000,000 Holdco Ord Shares) to US\$5,000,000 (divided into 10,000,000 Holdco Ord Shares and 490,000,000 Holdco Pref Shares).

As at the Latest Practicable Date, the authorised and issued share capital of Holdco are as follows:

Authorised	<i>US\$</i>
10,000,000 Holdco Ord Shares of US\$0.01 each	100,000
490,000,000 Holdco Pref Shares of US\$0.01 each	4,900,000
	<hr/>
Total	5,000,000
	<hr/> <hr/>
Issued and fully paid	
1 Holdco Ord Share of US\$0.01 each	0.01
	<hr/>
Total	0.01
	<hr/> <hr/>

Since 31 October 2008 (being the date of incorporation of Holdco) and up to and including the Latest Practicable Date, Holdco has in issue one Holdco Ord Share and has not repurchased the Holdco Ord Share. Save as disclosed above, Holdco has not undergone any re-organisation of capital.

As at the Latest Practicable Date, there are no options, warrants or conversion rights affecting any Holdco Shares.

Rights in respect of Capital

The Holdco Ord Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank *pari passu* with the existing Holdco Ord Share at the date of issue.

The Holdco Pref Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up. The Holdco Pref Shares may be redeemed at the election of Holdco, subject to the consent of the holders of a majority of not less than two-thirds of the Holdco Pref Shares in issue and pursuant to the terms of the Bye-Laws and subject to the Companies Law. The Holdco Pref Shares will be redeemed at an amount equal to the aggregate of (i) the par value of such Holdco Pref Shares, together with any amount credited to the share premium account in respect of such Holdco Pref Shares and (ii) any accrued and unpaid Holdco Pref Share dividends as calculated up to and including the date on which such Holdco Pref Shares are redeemed by Holdco. However, on or immediately before an Exit, Holdco shall (unless a majority of not less than two-thirds of the Holdco Pref Shareholders shall otherwise agree and subject to the Companies Law) redeem all Holdco Pref Shares then in issue.

Upon a return of capital on liquidation or otherwise, the assets of Holdco, available for distribution to be paid to each holder of Holdco Ord Shares shall be subject to the prior rights of Holdco Shareholders of all Classes at the time outstanding having prior rights as to return of capital (including the rights of Holdco Pref Shareholders). Holdco Pref Shareholders are entitled, on a return of capital on liquidation or otherwise, to a payment from the assets of Holdco available for distribution in priority to any payment to the holders of any other Classes equal to the par value of each Holdco Pref Share, together with any amount credited to the share premium account in respect of such Holdco Pref Shares and any accrued and unpaid Holdco Pref Share dividends as calculated up to and including the date of payment.

Without prejudice to the above, if Holdco is wound up, the liquidator may, with the sanction of a Holdco Special Resolution divide amongst the Holdco Shareholders in specie or kind the whole or any part of the assets of Holdco and may, for such purpose set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the Holdco Shareholders or different Classes.

Rights in respect of Dividends

There is no dividend policy in respect of the Holdco Ord Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ord Shares. Payment of Holdco Ord Shares dividends (if any) is dependent solely on whether such payment is lawful under the

laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. The payment of Holdco Ord Shares dividends (if any) is also subject to the prior rights of payment of Holdco Pref Shares dividends to the Holdco Pref Shareholders.

The Holdco Pref Shares will rank for any dividends or other distributions declared ahead of the Holdco Ord Shares. The Holdco Pref Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ord Shares. The Holdco Pref Shares dividends will accrue on a non-cash and non-compounded basis at the rate of 8 per cent. per annum, such percentage being a percentage of the issue price of each Holdco Pref Share. However, the payment of such dividends (if any) is dependent solely on whether such payment is lawful under the laws of the Cayman Islands and whether such payment is recommended or declared by the Holdco Board. There is no dividend policy in respect of the Holdco Pref Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Pref Shares.

Rights in respect of Voting

The holders of Holdco Ord Shares shall be entitled to receive notice of general meetings of Holdco and shall have the right to one vote per Holdco Ord Share at such meetings.

The Holdco Pref Shareholders shall be entitled to receive notice of general meetings of Holdco but not to attend or vote thereat unless the business of the meeting includes a resolution (in which case Holdco Pref Shareholders shall have the right to attend and have one vote per Holdco Pref Share):

- (i) for winding up Holdco; or
- (ii) affecting, altering or abrogating the rights or privileges or restrictions attached to the Holdco Pref Shares.

The Bye-Laws provide that Holdco Shareholders shall exercise all voting rights, and any other powers of control available to them in relation to Holdco and each other Holdco Group Company to procure that Holdco and each other Holdco Group Company shall only take the following actions with the authority of a Holdco Special Resolution or where required by law, a Holdco Ordinary Resolution:

- (a) any issuance, buyback, redemption, spilt, consolidation or other reconstruction of the share capital of Holdco or any other Holdco Group Company;
- (b) any corporate action required to be resolved by Holdco Shareholders according to applicable laws;
- (c) Holdco or any other Holdco Group Company proposing or entering into any arrangements, scheme, moratorium, compromise or composition with its creditors;

- (d) Holdco or any other Holdco Group Company inviting the appointment of a receiver or administrative receiver over all or any part of its assets or undertakings;
- (e) allowing Holdco or any other Holdco Group Company to cease to carry on its business; and
- (f) obtaining an Exit.

Holdco Shareholders shall exercise all voting rights, any other powers of control available to them in relation to Holdco and each other Holdco Group Company to procure that Holdco and each other Holdco Group Company shall only take the following actions with the authority of a Holdco Special Resolution:

- (a) amendment of Holdco's articles of association;
- (b) any cancellation or reduction of any share capital of Holdco or any other Holdco Group Company;
- (c) changes in strategic direction of the Holdco or any other Holdco Group Company or any change in the nature of the business of Holdco or commencement of any new businesses;
- (d) appointing or dismissal of auditors;
- (e) changes to the service contract or to the emoluments of any of the Holdco Directors;
- (f) changes in the use of the brand name "Natural Beauty" and all terms of a similar nature used by Holdco or any other Holdco Group Company;
- (g) taking any steps to reorganise, wind up, liquidate or dissolve Holdco or any other Holdco Group Company; and
- (h) the incorporation or acquisition of any new subsidiary of Holdco or disposal of any interest in any Holdco Group Company.

For the purposes of all Holdco Shareholder voting, no business shall be transacted at any general meeting (including a meeting at which a Holdco Special Resolution, Holdco Ordinary Resolution or otherwise has been tabled for approval) unless a quorum of Holdco Shareholders is present at the time when the meeting proceeds to business and save as otherwise provided by the Bye-Laws, one or more Holdco Shareholders holding a majority of no less than two-thirds of the paid up voting capital of Holdco present in person or by proxy and entitled to vote at that meeting shall form such a quorum.

Transfer of Shares and Drag-Along

If a Holdco Shareholder (or a group of Holdco Shareholders) holding in aggregate not less than two-thirds of the issued Holdco Shares (the “**Vendor Group**”) wishes to transfer more than 50 per cent. of the Holdco Shares (“**Transfer Shares**”) to any person (the “**Buyer**”) on bona fide arms’ length terms and whether in a single or series of transactions, the Vendor Group shall have the option to require all of the other Holdco Shareholders (by giving notice to that effect to all such Holdco Shareholders) to transfer such portion of their Holdco Shares that is equal to the proportion which the Transfer Shares bear to the Vendor Group’s aggregate holding of Holdco Shares to the Buyer (or as the Buyer directs) free from all liens, charges and encumbrances and at a price which shall be not less than the price per Holdco Share offered or proposed to be offered to the Vendor Group.

Notwithstanding the above and save for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected the Private Holdco Shares Alternative as the form of Cancellation Consideration (which the Holdco Board has consented to in writing), the Holdco Shares will not be tradable or transferable without the prior written consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of Cayman Islands, including but not limited to the fiduciary duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted company with limited liability. The ability of the Holdco Board to withhold its consent in its absolute discretion to permit the transfer of Holdco Shares is common restrictive wording adopted by many private companies in the Cayman Islands. The issue and/or transfer of Holdco Shares will be strictly regulated pursuant to the Bye-Laws and the rights of Scheme Shareholders in Holdco will primarily be governed by the Companies Law and the laws of Cayman Islands and the provisions of the Bye-Laws.

Exit

The Bye-Laws provide that it is the intention of Holdco Shareholders to ensure that Holdco completes a Sale, a Listing or an Asset Sale within five years from 9 November 2008, being the date of the first amendment and restatement of the Bye-Laws, and in the event Listing is not achieved within three years from such date, the Holdco Shareholders will procure that Holdco effects a leveraged recapitalisation by raising new debt to perform a repatriation of capital to Holdco Shareholders.

7. SHARE CAPITAL OF BIDCO AND CAPITAL, DIVIDENDS & VOTING RIGHTS OF BIDCO SHARES

Share capital of Bidco

As at the Latest Practicable Date, the authorised and issued share capital of Bidco are as follows:

Authorised:	<i>US\$</i>
5,000,000 Bidco Shares of US\$0.01 each	<u>50,000</u>
Issued and fully paid up:	
1 Bidco Share	<u>0.01</u>

Since 31 October 2008 (being the date of incorporation of Bidco) and up to and including the Latest Practicable Date:

- (a) Bidco has in issue one Bidco Share and has not repurchased the Bidco Share; and
- (b) Bidco has not undergone any re-organisation of capital.

As at the Latest Practicable Date, there are no options, warrants or conversion rights affecting any Bidco Shares.

Rights in respect of Capital

If Bidco is wound up, the liquidator may, with the sanction of a Bidco Ordinary Resolution divide amongst the holders of Bidco Shares in specie or kind the whole or any part of the assets of Bidco and may, for such purpose set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the holders of Bidco Shares or different classes of Bidco Shares.

Rights in respect of Dividends

The declaration and payment of dividends (if any) is dependent solely on the discretion of Bidco Board and whether such payment is lawful under the laws of the Cayman Islands. As such, there is no guarantee that any dividends will be declared or paid.

Rights in respect of Voting

The holders of Bidco Shares shall be entitled to receive notice of general meetings of Bidco. On a show of hand, each Bidco Shareholder present in person or every person representing a Bidco Shareholder by proxy shall at such meetings have one vote and on a poll, every Bidco Shareholder and every person representing a Bidco Shareholder by proxy shall have one vote per Bidco Share.

For the purposes of all Bidco Shareholder voting, no business shall be transacted at any general meeting unless a quorum of Bidco Shareholders is present at the time when the meeting proceeds to business and save as otherwise provided by the articles of association of Bidco, one or more Bidco Shareholders holding at least a majority of the paid up voting capital of Bidco present in person or by proxy and entitled to vote at that meeting shall form such a quorum.

Transfer

Subject to any rights or restrictions for the time being attached to any Bidco Shares, no Bidco Share may be transferred, assigned or disposed of without the prior consent in writing of the Bidco Directors or their authorised agent, which may be withheld in their absolute discretion.

8. DISCLOSURE OF INTERESTS IN HOLDCO SHARES AND BIDCO SHARES

As at the Latest Practicable Date, save as disclosed below, none of the Bidco Directors, Holdco Directors, CVC Holdco Directors, Bidco or any persons acting in concert with Bidco owned or controlled or were interested in any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares.

Name of Holdco Shareholder	Capacity	Long/Short position	Number of issued Holdco Shares held	Percentage of Holdco's issued share capital (%)
CVC Holdco	Beneficial Interest	Long	1	100

Name of Bidco Shareholder	Capacity	Long/Short position	Number of issued Bidco Shares held	Percentage of Bidco's issued share capital (%)
Holdco	Beneficial Interest	Long	1	100

As at the Latest Practicable Date:

- (a) none of NBBL or the NBBL Directors or any Committed Shareholder had any interests in any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares;

- (b) none of the subsidiaries of NBBL, nor any of the pension funds of the NBBL Group and any adviser to NBBL as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with NBBL or with any person who is an associate of NBBL by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror Group Companies or any person acting in concert with Bidco had any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares;
- (d) no fund managers connected with NBBL who managed funds on a discretionary basis owned or controlled any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares;
- (e) none of NBBL, the NBBL Directors, Bidco or any persons acting in concert with Bidco had borrowed or lent any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares save for any Holdco Shares or Bidco Shares which had been either on-lent or sold.

9. DEALINGS IN NBBL SHARES

- (a) During the Relevant Period, save as disclosed in this paragraph 9(a) below, none of the Offeror Group Companies or persons acting in concert with Bidco and none of the Bidco Directors, Holdco Directors or CVC Holdco Directors have dealt for value in any NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period.

Name	Date	Type of Transaction	Number of NBBL Shares	Price per each NBBL Share
Citigroup Global Market Limited	3 June 2008	Sell	10,000	1.98
Citigroup Global Market Limited	3 June 2008	Purchase	10,000	2.00

- (b) None of NBBL nor any subsidiary of NBBL, nor any pension fund of NBBL or any of its subsidiaries have dealt for value in NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period.

- (c) No advisers to NBBL as specified in class (2) of the definition of associate under the Takeovers Code have dealt for value in NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period.
- (d) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with NBBL or with any person who is an Associate of NBBL by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror Group Companies or any person acting in concert with Bidco has dealt for value in NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period.
- (e) No fund managers who managed funds on a discretionary basis for NBBL or who were connected with NBBL have dealt for value in any NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period.
- (f) During the Relevant Period, save as disclosed in this paragraph 9(f) below, none of the Bidco Directors, NBBL Directors or the Committed Shareholders has dealt for value in any NBBL Shares, NBBL Options or any other convertible securities, warrants, options or derivatives in respect of NBBL Shares during the Relevant Period:

Name	Date	Type of Transaction	Number of NBBL Share	Price per each NBBL Share
Dr. Su Sh Hsyu	20 June 2008	Purchase	200,000	1.637
	23 June 2008	Purchase	400,000	1.5334
	24 June 2008	Purchase	800,000	1.5307
	25 June 2008	Purchase	200,000	1.53
	26 June 2008	Purchase	115,000	1.5526
	27 June 2008	Purchase	85,000	1.5565
	30 June 2008	Purchase	200,000	1.555
	2 July 2008	Purchase	300,000	1.5278
	3 July 2008	Purchase	780,000	1.522
Dr. Su Chien Cheng	20 June 2008	Purchase	200,000	1.637
	23 June 2008	Purchase	400,000	1.5334
	24 June 2008	Purchase	800,000	1.5307
	25 June 2008	Purchase	200,000	1.53
	26 June 2008	Purchase	115,000	1.5526
	27 June 2008	Purchase	85,000	1.5565
	30 June 2008	Purchase	200,000	1.555
	2 July 2008	Purchase	300,000	1.5278
	3 July 2008	Purchase	780,000	1.522

Notes:

- (1) the dealings were transacted through Fortune Bright, which is beneficially wholly-owned by Colour Shine Holdings Limited, which is in turn beneficially wholly-owned by Dr. Su Sh Hsyu.
- (2) the dealings were transacted through Adventa Group, which is beneficially wholly-owned by Beautivalue Holdings Limited, which is in turn beneficially wholly-owned by Dr. Su Chien Cheng.

10. DEALINGS IN HOLDCO SHARES AND BIDCO SHARES

No person has dealt for value in any Holdco Shares, Bidco Shares or any convertible securities, warrants, options or derivatives in respect of any Holdco Shares or Bidco Shares during the Relevant Period.

11. LITIGATION

As at the Latest Practicable Date, none of the members of the NBBL Group are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the NBBL Directors to be threatened by or against any member of the NBBL Group.

As at the Latest Practicable Date, neither Holdco nor Bidco is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the Holdco Directors or Bidco Directors to be threatened by or against Holdco or Bidco.

12. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the NBBL Group) have been entered into by members of the NBBL Group after the date two years before 25 November 2008, being the date of the Announcement, up to and including the Latest Practicable Date and which are or may be material:

- (1) the Implementation Agreement;
- (2) an agreement for the sale and purchase of the entire equity interests in Shanghai Natural Beauty Cosmetics Company Limited for a consideration of US\$29,980,000 dated 30 September 2008 between Ice Crystal Management Limited as the seller and Natural Beauty China Holding Limited as the purchaser;
- (3) an agreement for the sale and purchase of the premises at 9/F, No. 76, Section 2, Tun Hua S. Road, Taipei, Taiwan and a carparking space at B2, No. 76, Section 2, Tun Hua S. Road, Taipei, Taiwan for a consideration of NTD121,700,000 dated 22 September 2008 between Natural Beauty Bio-Technology Company Limited (formerly Natural Beauty Cosmetics Company Limited) as the seller and Wai Sing Investment and Development Holdings Limited* (威盛投資開發股份有限公司) as the purchaser;

- (4) an agreement for the sale and purchase of the entire equity interests in Shanghai Natural Beauty Bio-Med Company Limited for a consideration of US\$3,313,966 dated 20 August 2008 between Uni Way Associates Limited as the seller and Natural Beauty China Holding Limited as the purchaser;
- (5) an agreement for the sale and purchase of a factory building at 577 San Sha Hong Lu, Cheng Qiao Town, Chong Ming County, Shanghai City, PRC for a consideration of RMB28,535,230 dated 18 July 2007 between Shanghai Luxin Healthy Food Company Limited* (上海綠鑫健康食品有限公司) as the seller and Shanghai Natural Beauty Cosmetics Company Limited as the purchaser; and
- (6) an agreement for the sale and purchase of the one block of property located at 1st–10th Floors and B1–3, Nos. 186 and 188, Section 2, Chun-Hsin Road, Hsin-Tien City, Taipei, Taiwan for a total consideration of NTD677,000,000 dated 10 April 2007 between Natural Beauty Bio-Technology Company Limited (formerly Natural Beauty Cosmetics Company Limited) as the seller and Chen Kuo Shien* (陳國勛) as the purchaser.

* *For identification purpose only*

Save as disclosed below, neither Bidco nor Holdco has entered into any material contracts, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by Bidco or Holdco since 31 October 2008 (being the date of incorporation of Bidco and Holdco) and up to and including the Latest Practicable Date:

- (1) the Implementation Agreement;
- (2) the agreement dated 9 November 2008 between Bidco and Holdco (which is subject to the Scheme becoming effective) pursuant to which Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Private Holdco Shares Alternative in valuable consideration of Bidco pursuing the Scheme; and
- (3) the Irrevocable Undertakings.

13. EXPERTS

The following are the qualifications of each of the experts who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
Citigroup Global Markets Asia Limited	A licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO.
Somerley Limited	A corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO.
Vigers Appraisal and Consulting Limited	Property valuer

14. CONSENTS

Citi, Somerley and Vigers have given and have not withdrawn their respective written consents to the issue of this document with the inclusion in this document of the text of their respective letters and references to their names in the form and context in which they are included.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) from 9:30 a.m. to 5:30 p.m., Monday to Friday at the office of NBBL, at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Hong Kong; (ii) at the website of NBBL at <http://www.nblife.com>; and (iii) at the website of SFC at <http://www.sfc.hk> from the date of this document until the Effective Date or the date on which the Scheme lapses, whichever is earliest:

- (a) the memorandum and articles of association of Bidco;
- (b) the memorandum and articles of association of Holdco;
- (c) the memorandum and articles of association of NBBL;
- (d) the annual reports of NBBL for the two financial years ended 31 December 2007;
- (e) the interim report of NBBL for the six months ended 30 June 2008;

- (f) the letter from the NBBL Board, the text of which is set out on pages 16 to 34 of this document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this document;
- (h) the letter from Somerley, the text of which is set out on pages 37 to 76 of this document;
- (i) the letters and summaries of valuation from Vigers, the texts of which are set out in Appendix II to this document;
- (j) the letter from Citi setting out the Estimates of Value of Holdco Shares set out on pages IV-1 to IV-6 of this document;
- (k) the letter of credit of HK\$1,255,652,000 granted by The Royal Bank of Scotland plc to Bidco;
- (l) the irrevocable undertakings from the Committed Shareholders received by Bidco referred to in paragraph 6 headed "Irrevocable Undertakings to Accept the Proposal" in the Explanatory Statement;
- (m) the material contracts referred to in paragraph 12 headed "Material Contracts" in this Appendix III to this document;
- (n) the written consents referred to in paragraph 14 headed "Consents" in this Appendix III to this document; and
- (o) the order of the Grand Court, amongst other things, convening the Court Meeting.

16. MISCELLANEOUS

- (a) None of the existing NBBL Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.
- (b) The emoluments of the Holdco Directors and the Bidco Directors will not be affected by the Scheme or by any other associated transactions.
- (c) None of Holdco, Bidco or their respective subsidiaries have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.
- (d) Other than the Irrevocable Undertakings, to which Dr. Tsai Yen-Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu, NBBL Directors, are parties as Controlling Parties, there is no agreement or arrangement between any of the NBBL Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.

- (e) There is no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror Group Companies or any person acting in concert with Bidco (on the one part) and any of the NBBL Directors, recent NBBL Directors, NBBL Shareholders or recent NBBL Shareholders (on the other part) having any connection with or dependence upon the Scheme.
- (f) The registered office and correspondence address of each of Bidco, Holdco and CVC Holdco is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.
- (g) The Bidco Directors have stated that Bidco does not have any intention to transfer, charge or pledge any NBBL Shares acquired pursuant to the Scheme to any other person.
- (h) Bidco is ultimately owned by the Investment Funds of which CVC is the investment adviser. CVC is a private equity investment advisory company established in 1999 with offices in Hong Kong, Beijing, Seoul, Singapore, Tokyo and Sydney and advises funds managing equity capital of over US\$6.8 billion. CVC advises funds, including the Investment Funds which were established in July and September 2007 and which have a total of approximately US\$4.1 billion under management. Currently, funds advised by CVC have invested in over 30 companies with a combined enterprise value of approximately US\$20 billion. The Investment Funds are widely held among a large number of investors comprising pension funds, financial institutions, university endowment funds, funds of funds and private individuals.
- (i) The Investment Funds are limited partnerships and have no directors. The Investment Funds act through their general partner CVC Capital Partners Asia III Limited. The directors of CVC are Mr. Roy Kuan, Mr. Ku Wai Kuen, Mr. Maarten Ruijs and Mr. Ho Chi Kit.
- (j) The Secretary of NBBL is Chan Yan Kwan, Andy, CPA, FCCA who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (k) The Qualified Accountant of NBBL is Chan Yan Kwan, Andy, CPA, FCCA who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (l) The registered office of NBBL is situated at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (m) The principal place of business of NBBL in Hong Kong is situated at Unit 3512, 35/F The Center, 99 Queen's Road Central, Central, Hong Kong.

- (n) The principal share registrar and transfer agent of NBBL is Hong Kong Registrars Limited, which is situated at Shops 1712-1716, 17th Floor, Hopewell centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (o) The Hong Kong branch share registrar of NBBL is Hong Kong Registrars Limited, which is situated at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (p) The principal place of business of Citi is situated at 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.
- (q) The principal place of business of Somerley is situated at 10/F, Hong Kong Club Building, 3A Chater Road, Central, Hong Kong (FF/Somerley to confirm).
- (r) As at the Latest Practicable Date, other than the Implementation Agreement and the Irrevocable Undertakings in which Dr. Tsai Yen-Yu, Dr. Su Chien Cheng and Dr. Su Sh Hsyu (who are NBBL Directors) may be considered to have a material interest as they have interests in NBBL Shares, which are subject to the Scheme, there was no material contract entered into by Bidco in which any of the NBBL Directors had a material personal interest.
- (s) As at the Latest Practicable Date, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror Group Companies, any persons acting in concert with Bidco, or any associate of Bidco, and any other person.
- (t) As at the Latest Practicable Date, none of the NBBL Directors has entered into any service contract with NBBL or any of its subsidiaries or associated companies for a fixed term contract with more than 12 months to run irrespective of notice period, or which has been entered into or amended within six months before the commencement of the Offer Period or which are continuous contracts with a notice period of 12 months or more.
- (u) Other than the Implementation Agreement, there are no other arrangements or agreements to which Bidco is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal, save for the Conditions, and the circumstances in which the Conditions can be waived, set out on pages 82 to 86 in the Explanatory Statement.
- (v) The English language text of this document shall prevail over the Chinese language text.



The Directors
Global Radiance Company Limited
Walker House
87 Mary Street
George Town
Grand Cayman KY1-9002
Cayman Islands

30 January 2009

**PROPOSED PRIVATISATION BY GLOBAL RADIANCE COMPANY LIMITED
OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
ESTIMATES OF VALUE OF HOLDCO SHARES
AND THE PROPOSED CASH OFFER TO CANCEL
ALL OUTSTANDING NBBL OPTIONS**

Dear Sirs,

We refer to the document of even date issued by Natural Beauty Bio-Technology Limited (the "Document") of which this letter forms part. Capitalised terms used in this letter will, unless otherwise stated, have the same meaning as defined in the Document.

Pursuant to the requirements of the Takeovers Code, you have requested us to provide you with an estimate of value of the Holdco Ord Shares and the Holdco Pref Shares (the "Estimates of Value"). Under the Proposal, Scheme Shareholders may elect to receive: (i) cash of HK\$1.20 for every Scheme Share; or (ii) 0.000047 Holdco Ord Share and 0.117868 Holdco Pref Share, plus cash of HK\$0.28 for every Scheme Share. The Holdco Shares are unlisted and therefore do not have a publicly traded price.

PURPOSE

The Estimates of Value have been provided to the Bidco Directors solely for the purposes of Paragraph 30 of Schedule I of the Takeovers Code, and shall not be used or relied upon for any other purpose whatsoever. It is to be emphasized that the Estimates of Value contained herein are an estimated value of each Holdco Ord Share and each Holdco Pref Share based on certain assumptions and therefore do not reflect the actual exact value of the Holdco Shares. The contents of this letter may not be relied upon by any third party for any purpose whatsoever and Citi expressly disclaims any duty or liability to any third party with respect to the contents of this letter.

This letter sets out a determination of an estimate of value of each Holdco Ord Share and each Holdco Pref Share assuming such shares are in issue (and the Proposal is effected) as at the date of the this letter.

The Estimates of Value do not represent the value that a holder of a Holdco Ord Share or a Holdco Pref Share may realise on any future sale. Citi assumes no obligation to update or revise the Estimates of Value based upon circumstances or events occurring after the date hereof.

In providing the Estimates of Value, Citi expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Private Holdco Shares Alternative. Further, Citi expresses no opinion as to the fairness of the financial terms of the Proposal.

ASSUMPTIONS

For the purposes of our analysis, we have made the following major assumptions:

- i. There exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts;
- ii. As at the date of this letter, the Proposal has become effective and that NBBL is a wholly-owned subsidiary of Bidco, which in turn is a wholly-owned subsidiary of Holdco;
- iii. The Holdco Shares have been issued pursuant to the terms of the Proposal. The Holdco Ord Shares have been issued and credited as fully paid up and rank pari passu with the existing Holdco Ord Shares. The Holdco Pref Shares have been issued and credited as fully paid up and rank for any dividends or other distributions declared ahead of the Holdco Ord Shares;
- iv. Holdco and Bidco were established for the sole purpose of the Proposal and as such, we have assumed that at the time the Proposal is assumed to have become effective, Bidco and Holdco's turnover, profits, assets and liabilities on a consolidated basis will be the same as NBBL, save for any costs and expenses incurred in connection with the Proposal and any cash balance that may remain in Holdco and Bidco that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal;
- v. We have assumed no dividends or other distributions are paid by Holdco or Bidco including any dividends that are declared in respect of the Holdco Pref Shares;
- vi. Holdco, Bidco and NBBL are assumed to exist on a continuing basis and the valuation is assumed on this basis and not assuming any sale of shares of Holdco, Bidco or NBBL at any future date;
- vii. An exchange rate of HK\$7.80 to US\$1.00;

- viii. Holdco Shares are unlisted and are valued on this basis. It is not possible to give a precise measure of the discount to reflect the lack of marketability, but we have assumed at the lower end of our range of Estimates of Value a potential discount of 20% to an equivalent listed security to reflect the lack of marketability. Whilst no methodological analysis can be undertaken for the purposes of estimating such a discount, based on our experience we believe that a 20% discount is an appropriate assumption to use for this purpose; and
- ix. We have relied on and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purposes of the Estimates of Value. We have not made any independent valuation or appraisal of the assets and liabilities of NBBL, nor have we sought or have been provided with any such valuation of appraisal.

METHODOLOGY

We have separately considered both the estimated value of Holdco Ord Shares and Holdco Pref Shares given the different economic rights of each class of share. In our Estimates of Value, we derive ranges of value for both Holdco Ord Shares and Holdco Pref Shares which reflect the estimated value of such shares hypothetically assuming that they had been listed at the top end of the range, and including an estimated discount of 20% at the bottom end of the range to reflect the lack of marketability, of each of the Holdco Pref Shares and Holdco Ord Shares.

Citi has valued the Holdco Shares based on the value of the NBBL Shares which Holdco will own (indirectly through Bidco) and any excess cash that may remain at Holdco and Bidco following the implementation of the Proposal. Following the implementation of the Proposal, Holdco and Bidco will not own any other assets except for the NBBL Shares and any excess cash that may remain at Holdco and Bidco and as such the value of the shares in Holdco will be equivalent to the sum of these two values.

There is no guarantee of payment of dividends, and as such we have assumed that there is no payment of dividends with respect to the Holdco Pref Shares. On the basis of this, it is not possible to derive a fundamental valuation of the Holdco Pref Shares. For the sake of the calculation hereby, we have used in our analysis a value of HK\$7.80 per Holdco Pref Share at the top end of the range, which is equivalent to the price at which each Holdco Pref Share has been issued to CVC Holdco. As stated above, to reflect the lack of marketability, we have assumed a 20% discount to this value to derive the lower end of the range for the estimate of value for each Holdco Pref Share.

As stated above, the estimated value of the total of both Holdco Ord Shares and Holdco Pref Shares is equal to the total estimated value of NBBL Shares and any cash balance that may remain in Holdco and Bidco that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal, prior to any transaction

expenses incurred by Holdco. As such, at the top end of our range, the total value of the Holdco Ord Shares is assumed to be calculated as (a) + (b) – (c) where (a), (b) and (c) are defined as follows:

- (a) the estimated value of all of the outstanding NBBL Shares;
- (b) any cash that may remain in Holdco and Bidco; and
- (c) the total value of all of the Holdco Pref Shares.

In deriving a value for (a) at the top end of the range, we have used a value of HK\$1.20 per NBBL Share which is equivalent to the value per NBBL Share under the Cash Alternative. It is currently estimated that Bidco and Holdco's cash on hand where: (i) only the Committed Shareholders elect the Private Holdco Shares Alternative; and (ii) all NBBL Shareholders elect the Private Holdco Shares Alternative would be approximately HK\$61 million and HK\$695 million, respectively, before all fees and expenses of the Offeror Group incurred in connection with the Proposal have been paid. The exact value of the cash on hand is dependent on the number of acceptances of the Private Holdco Shares Alternative and as such this range of values has been used in deriving a value for (b). As stated above, in deriving the value of (c), the Holdco Pref Shares, we have used a value of US\$1.00 per share, being the issue price of each Holdco Pref Share.

As stated above, we have derived the lower end of the range for the estimate of value for each Holdco Ord Share, by assuming a 20% discount to the value calculated above to reflect the lack of marketability of an unlisted share.

At the top end of the range, we derive our values as follows:

- (i) Assuming all Scheme Shareholders (except the Committed Shareholders) elect the Cash Alternative:
 - (a) is equal to approximately HK\$2,401 million which is calculated by multiplying the value per NBBL Share under the Cash Alternative of HK\$1.20 by the number of NBBL Shares of approximately 2,001 million;
 - (b) is equal to approximately HK\$61 million; and
 - (c) is equal to approximately HK\$2,461 million which is calculated by multiplying the estimated value of each Holdco Pref Share of HK\$7.80 by the number of Holdco Pref Shares in issue of approximately 315 million.

This implies a total value of Holdco Ord Shares of approximately HK\$981,358. Based on the number of Holdco Ord Shares in issue of approximately 125,815 shares, assuming that all Scheme Shareholders (except the Committed Shareholders) elect the Cash Alternative, this implies a value per Holdco Ord Share of HK\$7.80 at the top end of the range.

Including the estimated 20% discount for non-marketability of the Holdco Ord Shares implies a value of HK\$6.24 at the bottom end of the range.

- (ii) Assuming all Scheme Shareholders elect the Private Holdco Shares Alternative:
 - (a) is equal to approximately HK\$2,401 million which is calculated by multiplying the value per NBBL Share under the Cash Alternative of HK\$1.20 by the number of NBBL Shares of approximately 2,001 million;
 - (b) is equal to approximately HK\$695 million; and
 - (c) is equal to approximately HK\$3,094 million which is calculated by multiplying the estimated value of each Holdco Pref Share of HK\$7.80 by the number of Holdco Pref Shares in issue of approximately 397 million.

This implies a total value of Holdco Ord Shares of approximately HK\$1,233,927. Based on the number of Holdco Ord Shares in issue of approximately 158,196 shares, assuming that all Scheme Shareholders elect the Private Holdco Shares Alternative, this implies a value per Holdco Ord Share of HK\$7.80 at the top end of the range.

Including the estimated 20% discount for non-marketability of the Holdco Ord Shares implies a value of HK\$6.24 at the bottom end of the range.

Under both scenarios shown above where all Scheme Shareholders elect the Cash Alternative or all Scheme Shareholders elect the Private Holdco Shares Alternative, both the Holdco Ord Shares and the Holdco Pref Shares have an estimated value of HK\$7.80 at the top end of the range and an estimated value of HK\$6.24 at the bottom end of the range. For all scenarios in between the two shown above, where a proportion of the Scheme Shareholders elect either of the Cash Alternative or the Private Holdco Shares Alternative, the Estimates of Value for each of the Holdco Pref Shares and the Holdco Ord Shares remain the same at HK\$7.80 per share at the top end of the range and HK\$6.24 at the bottom end of the range.

In determining the Estimates of Value, we have not taken into account, among other things, any financial projections of NBBL for the entire current fiscal year (year ending 2008) and beyond. Such projections do not have a material impact on the Estimates of Value. Further, we have not taken into account any potential transaction costs that a holder of Holdco Shares may incur both in regards to the Proposal and in any attempted or actual sale of Holdco Shares.

ESTIMATES OF VALUE

On the basis of our assumptions and our methodology as shown above, the Estimates of Value as defined in this letter are as follows:

- (i) a range of between HK\$6.24 and HK\$7.80 for each Holdco Pref Share, based on the issue price of US\$1.00 for each Holdco Pref Share; and

- (ii) a range of between HK\$6.24 and HK\$7.80 for each Holdco Ord Share based on the methodology as outlined above.

Under the Private Holdco Shares Alternative, each Scheme Shareholder is entitled to receive 0.000047 Holdco Ord Share and 0.117868 Holdco Pref Share, plus cash of HK\$0.28 for every Scheme Share. This implies a value of approximately HK\$1.02 to HK\$1.20 for every Scheme Share, calculated as follows:

- (i) At the bottom end of the range:
- a. Approximately HK\$0.00029, which is equal to 0.000047 Holdco Ord Share multiplied by HK\$6.24, the value per Holdco Ord Share at the bottom end of our value range; plus
 - b. Approximately HK\$0.73550, which is equal to 0.117868 Holdco Pref Share multiplied by HK\$6.24, the value per Holdco Pref Share at the bottom end of our value range; plus
 - c. HK\$0.28, the cash receivable by Scheme Shareholders electing the Private Holdco Shares Alternative for every Scheme Share.
- (ii) At the top end of the range:
- a. Approximately HK\$0.00037, which is equal to 0.000047 Holdco Ord Share multiplied by HK\$7.80, the value per Holdco Ord Share at the top end of our value range; plus
 - b. Approximately HK\$0.91937, which is equal to 0.117868 Holdco Pref Share multiplied by HK\$7.80, the value per Holdco Pref Share at the top end of our value range; plus
 - c. HK\$0.28, the cash receivable by Scheme Shareholders electing the Private Holdco Shares Alternative for every Scheme Share.

Yours faithfully,
For and on behalf of
Citigroup Global Markets Asia Limited
Florence Fan
Director

SCHEME OF ARRANGEMENT

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO: 21 OF 2009**

**IN THE MATTER OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS**

**SCHEME OF ARRANGEMENT
between
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
and
THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)**

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“Adventa Group”	Adventa Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Bidco”	Global Radiance Company Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no.WK-219222), whose registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands and which is a wholly owned subsidiary of Holdco
“Beneficial Owner”	any beneficial owner of NBBL Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cash Alternative”	the cash consideration alternative under the Proposal, being HK\$1.20 in cash for every Scheme Share
“Committed Shareholders”	Efficient Market, Adventa Group and Fortune Bright

SCHEME OF ARRANGEMENT

“Committed Shares”	(i) the aggregate of 1,311,690,000 NBBL Shares owned by the Committed Shareholders, representing approximately 65.56% of the NBBL Shares in issue as at the Latest Practicable Date; (ii) any other NBBL Shares that the Committed Shareholders may acquire prior to the Record Time; and (iii) any other NBBL Shares attributable or derived from the NBBL Shares referred to in (i) and (ii)
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands, as consolidated and revised
“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of NBBL Shareholders convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon. NBBL Shareholders who are not Disinterested Scheme Shareholders will abstain from voting at this meeting. This meeting will be held at 11:00 a.m. on 26 February 2009 at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong, the notice of which is set out on pages N-1 to N-2 of this document, or any adjournment thereof
“CVC”	CVC Asia Pacific Ltd., a company incorporated in Hong Kong
“Disinterested Scheme Shareholders”	the NBBL Shareholders other than the Offeror Group Companies and any persons acting in concert with Bidco but including, for the avoidance of doubt, Citibank N.A. in its capacity as a custodian of NBBL Shares held on behalf of its clients who are the beneficial owners thereof and who control the entire voting rights attaching thereto and of which Citibank N.A. does not have discretionary management of
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms and the Companies Law, and which date will in accordance with the current timetable be 27 March 2009 (date in the Cayman Islands) and, in any event, be no later than 31 March 2009 (or such other date as Bidco and NBBL may agree from time to time)

SCHEME OF ARRANGEMENT

“Efficient Market”	Efficient Market Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Election Form”	a form of election to be completed by holders of Scheme Shares for either the Cash Alternative or the Private Holdco Shares Alternative despatched to NBBL Shareholders together with this document
“Fortune Bright”	Fortune Bright Group Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Global Radiance Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. WK-219223), whose registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands and which is ultimately wholly owned by funds advised by CVC
“Holdco Directors”	the directors of Holdco
“Holdco Ord Shares”	ordinary shares of par value of US\$0.01 each in the share capital of Holdco
“Holdco Pref Shares”	preference shares of par value of US\$0.01 each in the share capital of Holdco
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23 January 2009, being the latest practicable date prior to the despatch of this document for the purpose of ascertaining certain information contained herein
“NBBL”	Natural Beauty Bio-Technology Limited, an exempted company incorporated in the Cayman Islands with limited liability
“NBBL Option”	option(s) granted under the NBBL Share Option Scheme

SCHEME OF ARRANGEMENT

“NBBL Optionholders”	holders of NBBL Options under the NBBL Share Option Scheme
“NBBL Shareholder”	a person entered in the register of members of NBBL as the holder from time to time of NBBL Shares
“NBBL Shares”	ordinary shares of par value of HK\$0.10 each in the share capital of NBBL
“NBBL Share Option Scheme”	the share option scheme of NBBL adopted on 11 March 2002
“Option Exercise Notice”	the notice to be sent to NBBL Optionholders advising them that they may exercise their NBBL Options (whether or not these have otherwise vested and become exercisable) during the period starting immediately following the approval of the Scheme and the Reduction by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively, until the Option Cut-Off Time
“Option Proposal”	the cash offer made by Bidco to cancel the outstanding NBBL Options on the terms and subject to the conditions contained in the document issued by NBBL on 30 January 2009 and the Option Proposal Letter
“Option Proposal Letter”	the letter setting out the terms and conditions of the Option Proposal and the Option Exercise Notice which will be sent separately to NBBL Optionholders as soon as practicable following the approval of the Scheme and the reduction of the issued share capital of NBBL by the requisite majorities at the Court Meeting and the Extraordinary General Meeting, respectively
“Option Proposal Offer Period”	the period during which the Option Proposal is open for acceptance, being the period starting immediately following the approval of the Scheme and the reduction of the issued share capital of NBBL by the requisite majorities at the Court Meeting and Extraordinary General Meeting, respectively, and ending at the Record Time

SCHEME OF ARRANGEMENT

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|-------------------------------------|---|
| “Private Holdco Shares Alternative” | the cash and share alternative under the Proposal, being 0.000047 Holdco Ord Shares and 0.117868 Holdco Pref Shares, plus cash of HK\$0.28, for every Scheme Share |
| “Proposal” | the proposal for the privatization of NBBL by Bidco to be effected by way of the Scheme |
| “Record Date” | 26 March 2009, being the date on which the entitlements of NBBL Shareholders under the Scheme are determined |
| “Record Time” | 4:30 p.m. (Hong Kong time) on the Record Date |
| “Scheme” | a scheme of arrangement under section 86 of the Companies Law involving the cancellation of all the Scheme Shares, and the subsequent issue of an equivalent number of new NBBL Shares to Bidco |
| “Scheme Shares” | NBBL Shares held by the Scheme Shareholders |
| “Scheme Shareholders” | NBBL Shareholders whose names appear on NBBL’s register of members at the Record Time |
| “US\$” | United States dollars, the lawful currency of the United States of America |
- (B) NBBL was incorporated as an exempted limited liability company on 29 June 2001 in the Cayman Islands under the Companies Law.
- (C) The authorized share capital of NBBL as at the Latest Practicable Date was HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 of which 2,000,639,430 shares were issued and fully paid, with the remainder being unissued.
- (D) Bidco has proposed the privatization of NBBL by way of the Scheme.
- (E) The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that NBBL should become a wholly owned subsidiary of Bidco.
- (F) The Committed Shareholders have given irrevocable undertakings to Bidco, pursuant to which they have (i) undertaken, amongst other things, to vote (or procure votes) to approve the Proposal at the Court Meeting in respect of the Committed Shares (which represent approximately 65.56% of NBBL’s issued share capital on a fully diluted basis, and (ii) elect the Private Holdco Shares Alternative in respect of the Committed Shares.
- (G) On the Latest Practicable Date, there were in aggregate 2,852,887 NBBL Options held by NBBL Optionholders, which are convertible into 2,852,887 NBBL Shares.

SCHEME OF ARRANGEMENT

- (H) If NBBL options are exercised after the Latest Practicable Date and NBBL Shares are consequently issued prior to the Record Time, any such newly issued NBBL Shares shall participate in the Scheme.

- (I) Bidco is making the Option Proposal during the Option Proposal Offer Period to the NBBL Optionholders to cancel all their outstanding NBBL Options, whether vested or not. The offer to cancel each NBBL Option will be calculated on a “see-through” basis, so that each NBBL Optionholder will be entitled to receive a price for his/her NBBL Options being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of his/her NBBL Options. As the exercise price of all the NBBL Options is above the Cash Alternative, the offer price under the Option Proposal will be HK\$1.00 per board lot (which comprises 10,000 NBBL Shares) or part board lot of NBBL Shares which would be issued if the relevant NBBL Options were exercised in full. The Option Proposal is conditional upon the Scheme becoming effective and binding.

- (J) In order to accept the Option Proposal, each NBBL Optionholder will be required to duly complete the form of acceptance (appended to the Option Proposal Letter) in accordance with the instructions contained therein and to return it to NBBL, at Unit 3512, 35/F, The Center, 99 Queen’s Road Central, Central, Hong Kong (marked for the attention of the “Company Secretary”), during the Option Proposal Offer Period.

- (K) If the Scheme does not become effective, all unexercised NBBL Options will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the NBBL Share Option Scheme.

- (L) Bidco and Holdco have agreed, if necessary, to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court (whether at that hearing or beforehand) to be bound thereby, and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of NBBL shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of NBBL will be increased to its former amount by issuing to Bidco the same number of NBBL Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) NBBL shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new NBBL Shares issued to Bidco, credited as fully paid.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. (a) In consideration of the cancellation and extinguishment of the Scheme Shares, each holder of Scheme Shares will, at his/her/its election, receive from Bidco and Holdco (as applicable):
 - (i) the Cash Alternative; or
 - (ii) the Private Holdco Shares Alternative.
- (b) Any holder of Scheme Shares that does not elect either the Cash Alternative or the Private Holdco Shares Alternative in respect of his/her/its Scheme Shares will receive the Cash Alternative for those Scheme Shares.

SCHEME OF ARRANGEMENT

PART III

Election Form

3. (a) The election referred to in Part II above may be made by the holders of Scheme Shares in connection with their respective shareholdings in NBBL, and such election shall be made by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised officer), which shall be lodged so as to be received by the share registrar of NBBL in Hong Kong, being Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 26 March 2009 or such later date as may be notified to the holders of Scheme Shares through announcement(s). No such election shall be valid unless the Election Form is properly completed in all respects. An Election Form so completed and delivered shall not be capable of amendment.
- (b) An Election Form shall be irrevocable and incapable of being withdrawn.
- (c) NBBL shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form. In addition, NBBL shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that NBBL in its absolute discretion considers the omissions or errors to be immaterial. NBBL shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

PART IV

General

4. (a) Not later than ten (10) days after the Effective Date, the Holdco Directors shall unanimously resolve to issue to those Scheme Shareholders that elected the Private Holdco Shares Alternative the Holdco Ord Shares and Holdco Pref Shares as required by the Private Holdco Shares Alternative.
- (b) Not later than ten (10) days after the Effective Date, Holdco shall enter on its register of members the relevant details of those holders of Scheme Shares that elected the Private Holdco Shares Alternative.
- (c) Not later than ten (10) days after the Effective Date, Holdco shall issue share certificates in Holdco to the holders of Scheme Shares that elected the Private Holdco Shares Alternative, and shall send those share certificates, or cause them to be sent, to such holders at the same time.
- (d) Not later than ten (10) days after the Effective Date, Bidco shall send or cause to be sent to Scheme Shareholders that elected the Private Holdco Shares Alternative cheques in respect of the sums payable to such Scheme Shareholders pursuant to the Private Holdco Shares Alternative.

SCHEME OF ARRANGEMENT

- (e) Not later than ten (10) days after the Effective Date, Bidco shall send or cause to be sent to Scheme Shareholders that elected the Cash Alternative cheques in respect of the sums payable to such Scheme Shareholders pursuant to the Cash Alternative.
- (f) Unless otherwise indicated in writing to the share registrar of NBBL in Hong Kong, being Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, all cheques to be despatched to Scheme Shareholders under the Cash Alternative and the Private Holdco Shares Alternative, and all share certificates in Holdco to be despatched to Scheme Shareholders that elected the Private Holdco Shares Alternative, shall be sent by post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the register of members of NBBL at the Record Time or, in the case of joint holders, at the address as appearing on the register of members of NBBL at the Record Time of the joint holder whose name then stands first in the register of members of NBBL in respect of the relevant joint holding.

In respect of Beneficial Owners who hold NBBL Shares through a nominee (including but not limited to HKSCC Nominees Limited) and elect to receive the Private Holdco Shares Alternative, the Holdco Shares to be issued to such Beneficial Owners will be issued in the name of the nominee who is the registered holder of the NBBL Shares for subsequent transfer to such Beneficial Owner. The fees to be incurred in respect of the initial cancellation and issue of the certificate for the Holdco Shares which are payable to the transfer agent (to be appointed by Holdco) in connection with the transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected to receive the Private Holdco Shares Alternative shall be borne by Bidco and/or Holdco.

- (g) Cheques and share certificates shall be posted at the risk of the addressee and neither Holdco, Bidco nor NBBL shall be responsible for any loss or delay in the transmission of the same.
- (h) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (f) of this Clause 4, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to Bidco for the monies represented thereby.
- (i) On or after the day being six calendar months after the posting of the cheques pursuant to paragraphs (d) and (e) of this Clause 4, Bidco shall have the right to cancel or countermand payment of any such cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account in NBBL’s name with a licensed bank in Hong Kong selected by NBBL. NBBL shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy NBBL that they are respectively entitled thereto and the cheques referred to in paragraphs (d) and (e) of this Clause 4 of which they are payees have not been cashed. NBBL shall exercise its absolute discretion in

SCHEME OF ARRANGEMENT

determining whether or not it is satisfied that any person is so entitled and a certificate of NBBL to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (j) On the expiration of six years from the Effective Date, Bidco shall be released from any further obligation to make any payments under this Scheme and NBBL shall transfer to Bidco the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph (i) of this Clause 4 subject, if applicable, to the deduction of interest or any withholding tax or other tax or any other deductions required by law and subject to the deduction of any expenses.
 - (k) Paragraph (i) of this Clause 4 shall take effect subject to any prohibition or condition imposed by law.
5. Each instrument of transfer and certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of NBBL to deliver up the same to NBBL for the cancellation thereof.
 6. All mandates or relevant instructions to NBBL in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
 7. Subject to Clause 1, this Scheme shall become effective as soon as a copy of the order of the Court sanctioning this Scheme under Section 86 of the Companies Law has been registered by the Registrar of Companies in the Cayman Islands.
 8. Unless this Scheme shall have become effective on or before 31 March 2009 or such later date, if any, as NBBL and Bidco may agree, or as the Court on application of NBBL may allow, this Scheme shall lapse.
 9. NBBL and Bidco may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.
 10. Bidco and NBBL will each pay its own costs, charges and expenses of and incidental to the implementation of the Scheme, provided that in the event that the Scheme is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the Independent Board Committee and is not approved at the Court Meeting, all the expenses incurred by NBBL in connection with the Scheme shall be borne by Bidco.

Dated 30 January 2009

NOTICE OF COURT MEETING

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO: 21 OF 2009

IN THE MATTER OF
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 23 January 2009 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed that a meeting (the “**Meeting**”) be convened of the holders of ordinary shares of HK\$0.10 each in capital of Natural Beauty Bio-Technology Limited (the “**Company**”) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement proposed to be made between the Company and the holders of Scheme Shares (as defined in the scheme of arrangement hereinafter mentioned (the “**Scheme**”)), and that the Meeting will be held at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on 26 February 2009, at 11:00 a.m. (Hong Kong time) at which place and time all such holders of shares of HK\$0.10 each in capital of the Company are requested to attend.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme are incorporated in the composite document of which this Notice forms part. A copy of the said composite document can also be obtained by the above-mentioned holders of shares of HK\$0.10 each in the capital of the Company from the Company’s share registrar in Hong Kong, being Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

The above-mentioned holders of shares of HK\$0.10 each in the capital of the Company may vote in person at the Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the composite document dated 30 January 2009 despatched to members of the Company on the same date.

In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether personally or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant joint holding.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be lodged, by hand or by post, with Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, the share registrar of the Company, or by facsimile at (852) 2368 3434 (marked for the attention of “the Company Secretary”) not later than 11:00 a.m. on 24 February 2009 (or such later time and date as may be announced), but if forms are not so lodged they may be handed to the chairman of the Meeting at the Meeting.

By the Order, the Court has appointed Mr. Yeh Liang Fei, a director of the Company, or, failing him, Mr. Chen Ching, a director of the Company, or, failing him, Mrs. Chen Shieh Shu Chen, a director of the Company, or, failing her, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Meeting, and has directed the chairman of the Meeting report the results thereof to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

Dated 30 January 2009.

Maples and Calder

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Attorneys-at-Law for the Company

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Natural Beauty Bio-Technology Limited 自然美生物科技有限公司 (the “*Company*”) will be held at Room 105–106, Hoi Yat Heen, 3/F Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Thursday, 26 February 2009 at 11:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the scheme of arrangement herein after mentioned) convened by direction of the Grand Court of the Cayman Islands for the same place and day) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution, as a special resolution:

SPECIAL RESOLUTION

“**THAT:**

- (A) the scheme of arrangement dated 30 January 2009 (the “Scheme”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (1) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (2) subject to and forthwith upon such reduction of share capital taking effect, the issued share capital of the Company be increased to its former amount by issuing to Global Radiance Company Limited the same number of shares as shall be equal to the number of Scheme Shares cancelled and extinguished; and
 - (3) the Company shall apply the credit arising in its books of account as a result of such reduction of share capital referred to in paragraph (B)(1) above in paying up in full at par the new shares issued, credited as fully paid, to Global Radiance Company Limited and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) the directors of the Company be and are hereby authorised to do all such acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose; and
- (D) the directors of the Company be and are hereby authorised to apply to the Stock Exchange for the withdrawal of listing of NBBL Shares.”

By Order of the Board
Natural Beauty Bio-Technology Limited
Yeh Liang Fei
Independent Non-executive Director

Hong Kong, 30 January 2009

Registered office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
Unit 3512, 35/F
The Center
99 Queen’s Road Central
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the meeting in person to represent him.
2. A white form of proxy for use at this meeting is enclosed herewith.
3. In order to be valid, the white form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be lodged, by hand or by post, with the Company’s share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 11:30 a.m. on 24 February 2009 (or such later time and date as may be announced).
4. In the case of joint holders of share in the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.
5. At the meeting, the Chairman thereof will exercise his power under article 81 of the articles of association of the Company to put the above resolution to the vote by way of a poll.
6. The register of members of the Company will be closed from Tuesday, 24 February 2009 to Thursday, 26 February 2009 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong before 4:30 p.m. on 23 February 2009.