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自然美
natural beauty

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 157)

CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the manufacture and distribution of beauty and spa products and operates a spa franchise network in the Greater China region. NB Sanlian is a 90% indirectly-owned subsidiary of the Company. Bio-Med and Apparel-Manufacture are companies incorporated with limited liability in the PRC which are beneficially owned by Dr. Tsai Yen Yu as to 100% and 51.72% respectively. Dr. Tsai Yen Yu is the Chairperson and an executive director of the Company as well as a controlling shareholder of the Company. Thus Bio-Med and Apparel-Manufacturer are associates (as defined in the Listing Rules) of a connected person of the Company. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of the remaining 48.28% equity interest of Apparel-Manufacture are third parties independent of the Company and its connected persons.

On 28 July 2005, NB Sanlian entered into the Natural Health Food Purchase Agreement with Bio-Med, pursuant to which Bio-Med will supply natural health food to NB Sanlian. The purchase transactions under the Natural Health Food Purchase Agreement between NB Sanlian and Bio-Med constitute continuing connected transactions for the Company.

On 28 July 2005, NB Sanlian also entered into the Lingerie Purchase Agreement with Apparel-Manufacture, pursuant to which Apparel-Manufacture will supply lingerie to NB Sanlian. The purchase transactions under the Lingerie Purchase Agreement between NB Sanlian and Apparel-Manufacture constitute continuing connected transactions for the Company.

On the basis that the aggregated Cap for the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement is less than 2.5% of the applicable percentage ratios (as defined in the Listing Rules), the purchase transactions under the Natural Health Food Purchase Agreement and the Lingerie Purchase Agreement are subject to the annual review, reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

TRANSACTIONS UNDER THE NATURAL HEALTH FOOD PURCHASE AGREEMENT

Date:	28 July 2005
Parties:	Bio-Med and NB Sanlian
Term:	28 July 2005 to 31 December 2007
Goods purchased:	Natural health food
Payment terms:	Cash on delivery
Annual Cap:	The annual Cap in respect of the purchase transactions pursuant to the Natural Health Food Purchase Agreement for the financial years ending 31 December 2005, 2006 and 2007 are HK\$3 million, HK\$4 million and HK\$5 million respectively. The annual Cap is determined with reference to the historic purchases made by NB Sanlian from Bio-Med which were HK\$565,000 for the year 2003 and HK\$585,000 for the year 2004, and the fact that:

- (1) the purchase from Bio-Med for the first six months of this year reached HK\$1.3 million, mainly related to three new natural health food products (for the well-being of the digestive system, eye and body-slimming) launched in the first half of this year;
- (2) another new product for breast enhancement will be launched later this year;
- (3) increasing health consciousness of the general public in the PRC; and

- (4) historically the turnover of the Group for second half of the year is higher than first half of the year, with the turnover of the second half of the year accounted for 56%, 68% and 58% for the years ended 31 December 2002, 2003 and 2004 respectively.

Those factors account for the anticipated rapid growth of the business in 2005 as compared with 2004.

As a result of the launch of new products and strong demand of the three new natural health food products for the first six months and another new product will be launched later this year, the estimated purchase from Bio-Med for the whole year of 2005 is HK\$3 million. With the lower base in 2004 of HK\$585,000, the growth rate of 2005 is expected to reach 413%.

The anticipated incremental growth of HK\$1 million per annum for 2006 and 2007 were made by the directors, based on their experience of distribution of products through our spa channel and their best knowledge of the natural health food market in the PRC.

The anticipated growth of the natural health food business at an annual rate of approximately 413%, 33% and 25% for the years 2005, 2006 and 2007 respectively.

The directors (including the independent non-executive directors) of the Company consider that the terms of the continuing connected transactions were entered into in the usual and ordinary course of business of NB Sanlian. They also consider that the terms of the continuing connected transactions under the Natural Health Food Purchase Agreement were negotiated and conducted on an arm's length basis and on normal commercial terms between NB Sanlian and Bio-Med and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

TRANSACTIONS UNDER THE LINGERIE PURCHASE AGREEMENT

Date: 28 July 2005

Parties: Apparel-Manufacture and NB Sanlian

Term: 28 July 2005 to 31 December 2007

Goods purchased: Body sculpturing lingerie

Payment terms: Cash on delivery

Annual Cap: The annual Cap in respect of the purchase transactions pursuant to the Lingerie Purchase Agreement for the financial years ending 31 December 2005, 2006 and 2007 are HK\$1 million, HK\$1.8 million and HK\$3 million respectively.

The annual Cap is determined with reference to the historic purchases made by NB Sanlian from Apparel-Manufacture which were HK\$226,000 for the year 2003 and HK\$408,000 for the year 2004. The new generation of the body sculpturing lingerie with improved functionalities and styles will be launched in second half of this year, and the new products will be marketed at similar price of the existing products, hence the directors expect sales volume will be doubled in 2005.

The anticipated incremental growth of HK\$0.8 million and HK\$1.2 million for 2006 and 2007 respectively were made by the directors, based on their experience of distribution of products through our spa channel and their best knowledge of the body sculpturing lingerie market in the PRC.

The anticipated growth of the body sculpturing lingerie business at an annual rate of approximately 145%, 80% and 67% for the years 2005, 2006 and 2007 respectively.

The directors (including the independent non-executive directors) of the Company consider that the terms of the continuing connected transactions were entered into in the usual and ordinary course of business of NB Sanlian. They also consider that the terms of the continuing connected transactions under the Lingerie Purchase Agreement were negotiated and conducted on an arm's length basis and on normal commercial terms between NB Sanlian and Apparel-Manufacture and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REASON FOR THE TRANSACTIONS

Bio-Med has been providing natural health food to NB Sanlian since March 2003. The Company considers that the natural health food products enrich the product line of the Group and compliment the "natural & beauty" concept of the Group. Total purchases from Bio-Med for the year ended 31 December 2003 and 2004 were HK\$565,000 and HK\$585,000 respectively.

Apparel-Manufacture has been providing body sculpturing lingerie to NB Sanlian since December 2003. The Company considers that the body sculpturing lingerie products enrich the product line of the Group and compliment the "natural & beauty" concept of the Group. Total purchases from Apparel-Manufacture for the year ended 31 December 2003 and 2004 were HK\$226,000 and HK\$408,000 respectively.

The directors (including the independent non-executive directors) of the Company consider that the terms of the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement were entered into in the usual and ordinary course of business of the Group. They also consider that the terms of the continuing connected transactions under both Natural Health Food Purchase Agreement and Lingerie Purchase Agreement were negotiated and conducted by the Group on an arm's length basis and on normal commercial terms with Bio-Med and Apparel-Manufacture respectively and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATIONSHIPS OF THE PARTIES

NB Sanlian is a 90% indirectly-owned subsidiary of the Company. Bio-Med and Apparel-Manufacture are companies incorporated with limited liability in the PRC which are beneficially owned by Dr. Tsai Yen Yu as to 100% and 51.72% respectively. Dr. Tsai Yen Yu is the Chairperson and an executive director of the Company as well as a controlling shareholder of the Company. Thus Bio-Med and Apparel-Manufacture are associates (as defined in the Listing Rules) of a connected person of the Company. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of the remaining 48.28% equity interest of Apparel-Manufacture are third parties independent of the Company and its connected persons.

CONTINUING CONNECTED TRANSACTIONS

No announcement with respect to the previous purchase of natural health food and body sculpturing lingerie by the Group has been made as the amounts of the purchases fell within the de minimis exemption under Rule 14A.33(3) of the Listing Rules.

The aggregated Cap for the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement for the year ending 31 December 2005, 2006 and 2007 are HK\$4 million, HK\$5.8 million and HK\$8 million respectively. On the basis that the aggregated Cap for the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement is less than 2.5% of the applicable percentage ratios (as defined in the Listing Rules), the purchase transactions under both Natural Health Food Purchase Agreement and Lingerie Purchase Agreement are subject to the reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Group will comply with the annual review, reporting and announcement requirements in relation to the transactions made under the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement by making relevant disclosure in the annual report and accounts of the Company in compliance with Rules 14A.37 to 14A.40, 14A.45 and 14A.46. In the event that the above mentioned Cap in respect of the Natural Food Purchase Agreement or the Lingerie Purchase Agreement for the relevant year is exceeded or any of the Natural Food Purchase Agreement and/or Lingerie Purchase Agreement is renewed or there is a material change to their respective terms, the Company will re-comply with all applicable connected transaction requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT BIO-MED AND APPAREL-MANUFACTURE

The principal activity of Bio-Med is the research and development, manufacturing and distribution of various natural health food products.

The principal activity of Apparel-Manufacture is the research and development, manufacturing and distribution of body sculpturing lingerie.

INFORMATION ABOUT THE COMPANY AND NB SANLIAN

The Company

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

NB Sanlian

NB Sanlian is a company incorporated in the PRC with limited liability and is a 90% indirectly-owned subsidiary of the Company. It is engaged in the distribution of beauty and spa products to its subsidiaries and franchise stores in the PRC.

DEFINITIONS

“Apparel-Manufacture”	上海自然美制衣有限公司 (Shanghai Natural Beauty Apparel-Manufacture Company Limited), a wholly foreign-owned enterprise established in the PRC
“Bio-Med”	上海自然美生物醫學有限公司 (Shanghai Natural Beauty Bio-Med Company Limited), a wholly foreign-owned enterprise established in the PRC
“Company”	Natural Beauty Bio-Technology Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Cap”	The maximum aggregate annual consideration of the purchase transactions under each of the Natural Health Food Purchase Agreement and Lingerie Purchase Agreement
“Greater China Region”	PRC, Hong Kong and Taiwan
“Group”	Company and its direct and indirect subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lingerie Purchase Agreement”	Lingerie Purchase Agreement entered into between Apparel-Manufacture and NB Sanlian dated 28 July 2005
“Listing Rules”	The Rules governing the listing of securities on the Stock Exchange
“Natural Health Food Purchase Agreement”	Natural Health Food Purchase Agreement entered into between Bio-Med and NB Sanlian dated 28 July 2005
“NB Sanlian”	Shanghai Natural Beauty Sanlian Cosmetics Company Limited, a company incorporated in the People's Republic of China with limited liability and is a 90% indirectly-owned subsidiary of the Company

“PRC” The People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 2 August 2005

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