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**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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 Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

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**Next Focus Holdings Limited**

(a company incorporated in  
the British Virgin Islands 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)

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KARL-THOMSON SECURITIES COMPANY LIMITED  
ON BEHALF OF NEXT FOCUS HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF NATURAL BEAUTY  
BIO-TECHNOLOGY LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY NEXT FOCUS HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH NEXT FOCUS HOLDINGS LIMITED)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**

**Financial Adviser to Next Focus Holdings Limited**



**Karl Thomson Financial Advisory Limited**

**Independent Financial Adviser to the Independent Board Committee**



**SOMERLEY CAPITAL LIMITED**

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A letter from Karl Thomson Securities containing, amongst other things, details of the terms and conditions of the Offers is set out on pages 9 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 27 of this Composite Document. A letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and Optionholders on the Offers is set out on pages 28 to 30 of this Composite Document. A letter from Somerley Capital containing its recommendation and advice to the Independent Board Committee on the Offers is set out on pages 31 to 58 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

Acceptances of the Offers should be received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer) by no later than 4:00 p.m. on Friday, 18 December 2015 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "IMPORTANT NOTICES" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself 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 and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

27 November 2015

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## **IMPORTANT NOTICES**

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### **NOTICE TO SHAREHOLDERS AND OPTIONHOLDERS OUTSIDE HONG KONG**

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders and Overseas Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself 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 or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, Karl Thomson Securities, Karl Thomson Financial and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS” in the “LETTER FROM KARL THOMSON SECURITIES”.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Any change to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all times and dates contained in this Composite Document refer to Hong Kong local time and dates.*

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance ( <i>Note 1</i> ) . . . . .	Friday, 27 November 2015
Commencement date of the Offers ( <i>Note 1</i> ) . . . . .	Friday, 27 November 2015
Latest time and date for acceptance of the Offers ( <i>Notes 2 and 3</i> ) . . . . .	by 4:00 p.m. on Friday, 18 December 2015
Offers Closing Date ( <i>Note 5</i> ) . . . . .	Friday, 18 December 2015
Announcement of the results of the Offers to be posted on the Stock Exchange's website ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Friday, 18 December 2015
Latest date of posting of remittances for the amounts due in respect of valid acceptances received under the Offers ( <i>Note 4</i> ) . . . .	Wednesday, 30 December 2015

*Notes:*

1. The Offers, which are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Offers Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 18 December 2015 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Friday, 18 December 2015 stating whether the Offers have been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend the Offers, at least 14 days' notice by the way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.
3. Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Offers shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "5. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Share or the Share Options tendered under the Offers will be posted to the accepting Independent Shareholders or the Optionholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days of the date of receipt by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer) of all the relevant documents to render the acceptance under the Offers complete and valid.
5. If there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force on the Offers Closing Date and it is (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Offers Closing Date, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Offers Closing Date, the time and date of the close of the Offers will be the same day, i.e., 4:00 p.m. on the Offers Closing Date.

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## DEFINITIONS

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*In this Composite Document, the following expressions have the following meanings unless the context otherwise requires:*

“Accrued Entitlement”	HK\$25,754,988, which is an amount equal to 50% of the Declared Dividend paid in respect of the 1,314,030,000 Shares held by the Shareholders which were subsidiaries of Starsign on 15 September 2015
“Acquisition”	the sale and purchase of the Sale Shares contemplated in the Agreement, the subject matter of the Company’s announcement dated 9 September 2015
“Acquisition Closing”	closing of the sale and purchase of the Sale Shares pursuant to the Agreement
“Acquisition Closing Date”	16 September 2015, the date on which the Acquisition Closing took place
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Agreement”	the sale and purchase agreement dated 4 September 2015 and entered into, among others, the Offeror and the Vendor in relation to the sale and purchase of the Sale Shares
“associate(s)”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	the day(s) on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CA NB” or “Vendor”	CA NB Limited, a company incorporated in the Cayman Islands with limited liability
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“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

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## DEFINITIONS

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“Composite Document”	this composite offer and response document jointly issued by or for and on behalf of the Offeror and the Company to all Independent Shareholders and Optionholders in accordance with the Takeovers Code in connection with the Offers
“Consideration”	the consideration payable under the Agreement for the Sale Shares in the amount of HK\$565,558,512
“Consultancy Services Agreement”	the consultancy services agreement dated 2 December 2014 and entered into between the Company and CA NB for the provision of consultancy services by CA NB to the Company during the period from 1 January 2015 to 31 December 2017, both dates inclusive
“Declared Dividend”	the interim dividend declared by the Company in respect of the six months ended 30 June 2015 of HK\$0.0392 per Share which was paid on 14 October 2015 to all Shareholders whose names appeared on the register of members of the Company on 15 September 2015
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director
“Existing Agreements”	the Existing Shareholders’ Agreement and Existing SPA
“Existing Shareholders’ Agreement”	the shareholders’ agreement dated 15 October 2009 entered into among CA NB, the Family Members, Starsign and the Offeror setting out the rights and obligations of the parties in relation to Starsign and its subsidiaries
“Existing SPA”	the sale and purchase agreement dated 15 October 2009 entered into among CA NB as purchaser, Invest Focus Limited, the Offeror as vendor and the Family Members in relation to the sale and purchase of 25,000 ordinary shares of Starsign
“Family Members”	Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu
“Forms of Acceptance”	the <b>WHITE</b> Form of Share Offer Acceptance and the <b>PINK</b> Form of Option Offer Acceptance, and “Form of Acceptance” means either of them

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Holding Announcements”	the holding announcements of the Company dated 9 September 2015 and 20 October 2015, and “Holding Announcement” means either of them
“Hong Kong”	the Hong Kong Special and Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all four (4) independent non-executive Directors, namely Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing, established in accordance with the Takeovers Code to give recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers
“Independent Financial Adviser” or “Somerville Capital”	Somerville Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offers
“Independent Shareholders”	Shareholders other than (i) the Vendor and parties acting in concert with it; and (ii) the Offeror, the Family Members and parties acting in concert with any of them
“Investor Directors”	Mr. Patrick Thomas SIEWERT, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo, being non-executive Directors nominated by the Vendor pursuant to the Existing Shareholders’ Agreement
“Joint Announcement”	the joint announcement dated 23 October 2015 jointly issued by or for and on behalf of the Offeror and the Company in relation to, amongst other things, the Agreement and the Offers
“Karl Thomson Financial”	Karl Thomson Financial Advisory Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and is the financial adviser to the Offeror
“Karl Thomson Securities”	Karl-Thomson Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO

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## DEFINITIONS

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“Last Trading Day”	28 August 2015, being the last trading day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	24 November 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Next Focus” or “Offeror”	Next Focus Holdings Limited, a company incorporated in BVI
“Offer Period”	has the same meaning ascribed to it under the Takeovers Code
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned by the Offeror and parties acting in concert with it
“Offers”	collectively, the Share Offer and the Option Offer
“Offers Closing Date”	Friday, 18 December 2015, being 21 days following the date on which this Composite Document is posted (or such other date as extended or revised in accordance with the Takeovers Code)
“Option Buyback”	as defined in this Composite Document
“Option Buyback Date”	as defined in this Composite Document
“Option Buyback Price”	as defined in this Composite Document
“Option Offer”	the mandatory unconditional cash offer made by Karl Thomson Securities on behalf of the Offeror to cancel the Share Options (which have all been vested) on the terms and conditions set out in the Joint Announcement and this Composite Document in compliance with the Takeovers Code
“Option Offer Price”	HK\$0.001 for each Share Option payable by the Offeror to the Optionholder accepting the Option Offer
“Optionholder(s)”	holder(s) of the Share Option(s)



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## DEFINITIONS

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“Overseas Optionholder(s)”	Optionholder(s) whose addresses, as shown on the register of Optionholders, are outside Hong Kong as at the date of this Composite Document
“Overseas Shareholder(s)”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong as at the date of this Composite Document
“ <b>PINK</b> Form of Option Offer Acceptance”	the <b>PINK</b> Form of acceptance and cancellation of all outstanding Share Options in respect of the Option Offer
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Hong Kong Registrars Limited
“Relevant Period”	the period commencing from 9 March 2015, being the date falling six months preceding the date of the Holding Announcement of the Company dated 9 September 2015, up to and including the Latest Practicable Date
“Sale Shares”	25,000 ordinary shares of Starsign acquired by the Offeror pursuant to the terms and conditions of the Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer made by Karl Thomson Securities on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in the Joint Announcement and this Composite Document and in compliance with the Takeovers Code
“Share Offer Price”	HK\$0.8608 for each Offer Share payable by the Offeror to the Independent Shareholders accepting the Share Offer
“Share Option(s)”	the outstanding share option(s), which have all been vested granted by the Company under its share option scheme adopted by the Shareholders on 13 May 2011

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the issued Share(s)
“Standard Cosmos”	Standard Cosmos Limited, a company incorporated in BVI with limited liability, a direct subsidiary of Starsign
“Starsign”	Starsign International Limited, a company incorporated in BVI with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Termination Deed”	the deed of termination dated 30 September 2015 and entered into between the Company and CA NB in relation to the termination of the Consultancy Services Agreement
“ <b>WHITE</b> Form of Share Offer Acceptance”	the <b>WHITE</b> form of acceptance and transfer of Shares in respect of the Share Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

1. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
2. The singular includes the plural and vice versa, unless the context otherwise requires.
3. References to any Appendix, paragraphs and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them, respectively.
4. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
5. Reference to one gender is a reference to all or any genders.
6. References to time of the day are to Hong Kong time.

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## LETTER FROM KARL THOMSON SECURITIES

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**Karl-Thomson Securities Company Limited**

27/F, Fortis Tower, 77-79 Gloucester Road  
Wan Chai, Hong Kong

27 November 2015

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KARL-THOMSON SECURITIES COMPANY LIMITED  
ON BEHALF OF NEXT FOCUS HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF NATURAL BEAUTY  
BIO-TECHNOLOGY LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY NEXT FOCUS HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH NEXT FOCUS HOLDINGS LIMITED)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**

**INTRODUCTION**

References are made to the Holding Announcements and the Joint Announcement.

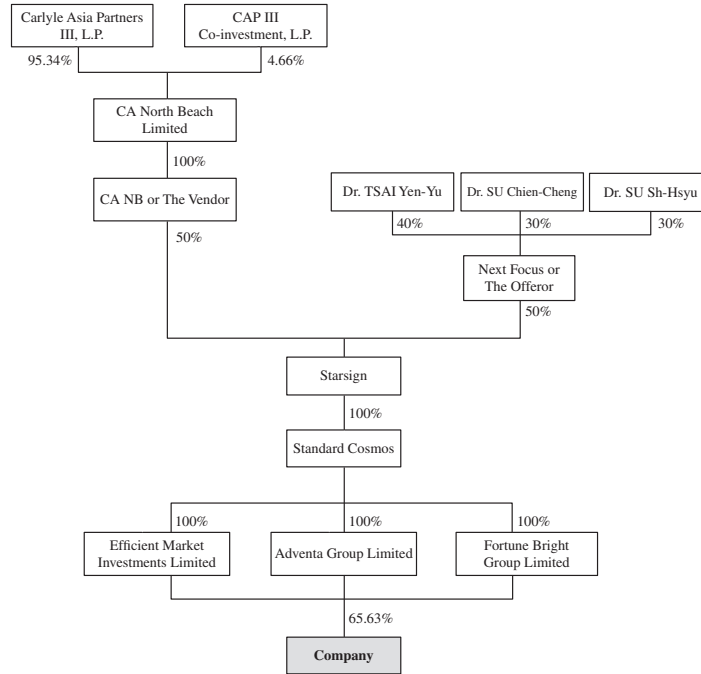
On 4 September 2015, the Vendor and the Offeror entered into the Agreement in relation to the Acquisition.

On 16 September 2015, the Acquisition Closing took place, whereby the Vendor sold and the Offeror as purchaser acquired the other 50% in the share capital of Starsign that it did not already own for the Consideration. The Consideration has been fully paid to the Vendor by the Offeror as the purchaser. Given the only substantial asset of Starsign is its indirect holding of Shares, the Consideration paid pursuant to the Agreement represents an effective price per Share of HK\$0.8608.

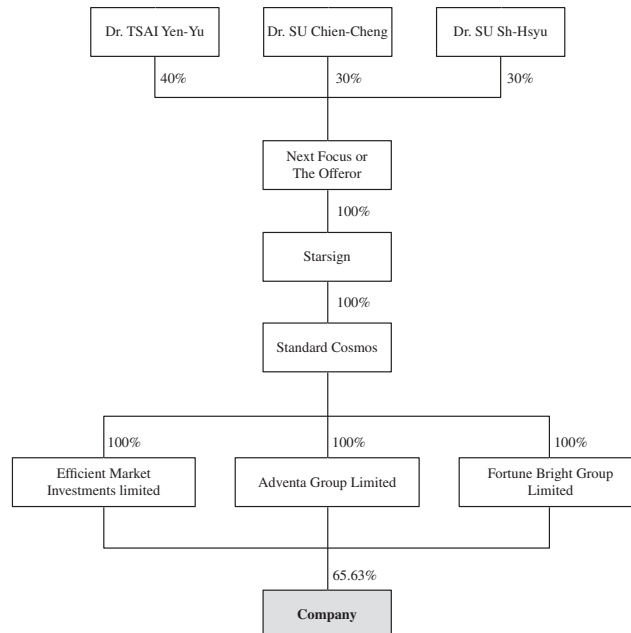
## LETTER FROM KARL THOMSON SECURITIES

Immediately before the Acquisition Closing, the Vendor and the Offeror each held 50% of the issued share capital of Starsign, which in turn held indirectly and in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at the date of this Composite Document. Upon the Acquisition Closing, the Offeror and parties acting in concert with it came to hold the entire issued share capital of Starsign, consolidating its control, through its wholly-owned subsidiaries, of the Company. The shareholding structure of the Company immediately before the Acquisition Closing and upon the Acquisition Closing was as follows:

### Shareholding structure of the Company immediately before the Acquisition Closing



### Shareholding structure of the Company immediately upon the Acquisition Closing



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## LETTER FROM KARL THOMSON SECURITIES

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Following the Acquisition Closing, the Offeror is required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options.

Upon the Acquisition Closing and as at the Latest Practicable Date, Starsign held the entire issued share capital of Standard Cosmos, which, in turn, indirectly held 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company. As the only substantial asset of Starsign is its indirect holding of Shares, the Consideration paid pursuant to the Agreement represents an effective price per Share of HK\$0.8608.

The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the letter from the Board as well as the letter from the Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Offers, as contained in this Composite Document.

### MANDATORY UNCONDITIONAL CASH OFFERS

Karl Thomson Securities is making the Offers on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . .HK\$0.8608 in cash

The Share Offer Price of HK\$0.8608 per Offer Share under the Share Offer is the same as the "see-through" purchase price per Share paid by the Offeror under the Agreement. The Offer Shares to be acquired under the Share Offer will be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared (which for the avoidance of doubt excluded the Declared Dividend which was paid by the Company on 14 October 2015), made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

#### The Option Offer

For cancellation of each Share Option with  
exercise price of HK\$0.99 . . . . .HK\$0.001 in cash

Pursuant to Rule 13 of the Takeovers Code, the Option Offer Price for cancellation of each Share Option should normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. However, as the exercise price of all the Share Options (which have all been vested) is HK\$0.99, which is above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is nominal.

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## LETTER FROM KARL THOMSON SECURITIES

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Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

### The Share Offer Price

The Share Offer Price of HK\$0.8608 per Offer Share represents:

- (i) a premium of approximately 30.42% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on 28 August 2015, being the Last Trading Day;
- (ii) a premium of approximately 47.90% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.582 per Share;
- (iii) a premium of approximately 46.89% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.586 per Share;
- (iv) a premium of approximately 45.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.592 per Share;
- (v) a premium of approximately 34.50% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.640 per Share;
- (vi) a premium of approximately 122.72% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3865 per Share as at 31 December 2014, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$773.9 million as at 31 December 2014 and 2,002,100,932 Shares in issue as at the Latest Practicable Date;
- (vii) a premium of approximately 116.55% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3975 per Share as at 30 June 2015, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately HK\$795.9 million as at 30 June 2015 and 2,002,100,932 Shares in issue as at the Latest Practicable Date; and
- (viii) a premium of approximately 1.27% to the closing price of HK\$0.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.86 per Share on 27 October 2015, 28 October 2015, 29 October 2015, 30 October 2015, 3 November 2015, 6 November 2015, 12 November 2015 and 13 November 2015 and HK\$0.54 per Share on 18 March 2015, 19 March 2015, 6 August 2015 and 24 August 2015, respectively.

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## LETTER FROM KARL THOMSON SECURITIES

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### **Total value of the Offers**

As at the Latest Practicable Date, there were 2,002,100,932 Shares in issue and there were in aggregate outstanding Share Options in respect of 79,379,622 Shares (all of which have been vested). For details on the Share Options, please see Appendix IV to this Composite Document.

On the basis of the Share Offer Price at HK\$0.8608 per Offer Share, the entire issued share capital of the Company would be valued at HK\$1,723,408,482. Based on the 688,070,932 Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it and assuming (i) no Share Options will be exercised, (ii) there is no change in the share capital of the Company, and (iii) the Option Offer is accepted in full:

- (a) the value of the Share Offer will be approximately HK\$592,291,458.30; and
- (b) the total amount to satisfy the cancellation of all Share Options (which have all been vested) will be approximately HK\$79,379.62.

### **Confirmation of financial resources available to the Offeror**

The maximum aggregate amount payable by the Offeror upon full acceptances of the Offers is HK\$592,370,837.92 assuming (i) no Share Options will be exercised and (ii) there is no change in the share capital of the Company.

The Offeror will finance and satisfy the amount payable under the Offers by cash from its internal resources.

Karl Thomson Financial, the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount payable upon full acceptances of the Offers.

### **Effect of accepting the Offers**

By accepting the Share Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared (which for the avoidance of doubt excluded the Declared Dividend which was paid by the Company on 14 October 2015), made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of the despatch of this Composite Document. If Optionholders do not accept the Option Offer, the Optionholders should note that under the terms of grant of the Share Options, upon the occurrence of a change in control of the Company, the Company may, in its absolute discretion, purchase any unexercised Share Options or any Shares issued upon exercise of the Share Options at such time held by the Optionholders and the Optionholders shall sell to the Company such unexercised Share Options or Shares, at the following price:

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## LETTER FROM KARL THOMSON SECURITIES

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- in the case of unexercised Share Options, the price offered by the offeror in the general offer minus the applicable subscription price; and
- in the case of Shares issued upon exercise of the Share Options, the price offered by the offeror in the general offer.

The Board resolved on 7 October 2015 to buyback any unexercised Share Options which are not tendered for acceptance under the Option Offer after closing of the Offers. For further details of the Option Buyback, please refer to the sub-paragraph headed “The Option Offer” under the paragraph headed “MANDATORY UNCONDITIONAL CASH OFFERS” in the “LETTER FROM THE BOARD”.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### **Payment**

Settlement of the consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the relevant documents of title are received by the Offeror or its agent acting on its behalf to render each such acceptance complete and valid.

### **Taxation advice**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers.

None of the Offeror, parties acting in concert with it, the Company, Karl Thomson Financial, Karl Thomson Securities, Somerley Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### **Overseas Shareholders and Overseas Optionholders**

The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).



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## LETTER FROM KARL THOMSON SECURITIES

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Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

### **Acceptance and Settlement**

Your attention is further drawn to the details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty on acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the acceptance by the Independent Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Independent Shareholders who accept the Share Offer.

The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for payment of both buyer and seller's ad valorem stamp duty in connection with such sales and purchases under the Share Offer in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). No stamp duty will be payable in connection with the Option Offer.

### **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in BVI on 12 August 2009.

As at the Latest Practicable Date, the Offeror was directly held as to 40%, 30% and 30% by each of Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu, respectively. Each of Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu were Directors as at the Latest Practicable Date. As at the Latest Practicable Date, the board of directors of the Offeror comprised three directors, namely Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu.

### **INFORMATION ON STARSIGN**

Starsign was incorporated in BVI with limited liability and is an investment holding company. Starsign indirectly held in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at Latest Practicable Date. Following Acquisition Closing and as at the Latest Practicable Date, Starsign was wholly owned by the Offeror.

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## LETTER FROM KARL THOMSON SECURITIES

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### **INTENTION OF THE OFFEROR IN RELATION TO THE GROUP**

It is the intention of the Offeror to continue with the Group's existing principal business following the close of the Offers. The Offeror does not intend to introduce any major changes to the existing business (including any acquisition of new business or disposal of any existing business or major assets of the Group) and operation of the Group following the close of the Offers. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees (save for the proposed changes to the composition of the Board as detailed below) or to dispose of or redeploy the assets of the Group. The Offeror will review the Group's policy and structure for all Directors' and senior management remuneration having regard to the recommendations of Remuneration Committee, after the close of the Offers. The Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

### **PROPOSED CHANGE TO THE BOARD COMPOSITION**

As at the date of this Composite Document, the Board comprises Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta and Dr. SU Chien-Cheng as executive Directors; Mr. Patrick Thomas SIEWERT, Dr. SU Sh-Hsyu, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo as non-executive Directors; and Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing as independent non-executive Directors.

It is intended that all the Investor Directors will resign with effect from the earliest time permitted under the Takeovers Code. The Offeror intends to nominate new Directors to the Board with effect after the close of the Offers. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules. Notwithstanding the possible changes in the composition of the Board taking effect after the close of the Offers, the Offeror and the Company will take all steps necessary to ensure that in compliance with Rule 3.11 of the Listing Rules, the number of independent non-executive Directors does not fall below one-third of the total number of Directors for more than three months.

### **INTENTION OF THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY**

The Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offers.

In the event that the public float of the Company falls below 25% following the close of the Offers, the Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

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## **LETTER FROM KARL THOMSON SECURITIES**

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The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### **Compulsory Acquisition**

The Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offers after the close of the Offers.

### **INFORMATION ON THE GROUP**

Your attention is drawn to the section headed “INFORMATION ON THE GROUP” in the “LETTER FROM THE BOARD” which contain information on the Group, Appendices II, III and IV of this Composite Document which contain further financial and general information of the Group.

### **SHAREHOLDING STRUCTURE OF THE COMPANY**

Your attention is drawn to the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY” in the “LETTER FROM THE BOARD”.

### **GENERAL**

All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with it, the Company, Karl Thomson Financial, Karl Thomson Securities, Somerley Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

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## LETTER FROM KARL THOMSON SECURITIES

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### ADDITIONAL INFORMATION

Your attention is drawn to the “LETTER FROM THE BOARD”, the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and the “LETTER FROM SOMERLEY CAPITAL” as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,  
For and on behalf of  
**Karl-Thomson Securities Company Limited**  
**NAM Kwok Lun**  
*Director*

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## LETTER FROM THE BOARD

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自然美  
natural beauty

Natural Beauty Bio-Technology Limited  
自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00157)

*Executive Directors:*

Dr. TSAI Yen-Yu (*Chairperson*)  
Mr. LEE Ming-Ta (*Vice Chairman*)  
Dr. SU Chien-Cheng

*Non-Executive Directors:*

Mr. Patrick Thomas SIEWERT (*Vice Chairman*)  
Dr. SU Sh-Hsyu  
Mr. Gregory Michael ZELUCK  
Ms. GONG Zhizhi  
Mr. CHANG Hsiuguo

*Independent Non-Executive Directors:*

Mr. Francis GOUTENMACHER  
Ms. Su-Mei THOMPSON  
Mr. CHEN Ruey-Long  
Mr. YANG Tze-Kaing

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

27 November 2015

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KARL-THOMSON SECURITIES COMPANY LIMITED  
ON BEHALF OF NEXT FOCUS HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF NATURAL BEAUTY  
BIO-TECHNOLOGY LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY NEXT FOCUS HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH NEXT FOCUS HOLDINGS LIMITED)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**

### INTRODUCTION

References are made to the Holding Announcements and the Joint Announcement in relation to, amongst other things, the Agreement, the Acquisition Closing, and the Offers.

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## LETTER FROM THE BOARD

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As stated in the Holding Announcement dated 9 September 2015 and the Joint Announcement, the Company was notified by the Offeror and CA NB that, on 4 September 2015, the Vendor and the Offeror had entered into the Agreement, pursuant to which the Vendor had agreed to sell, and the Offeror as purchaser had agreed to acquire, an aggregate of 25,000 Sale Shares, representing the other 50% of the issued share capital of Starsign and the remaining interest in the issued share capital of Starsign not already owned by the Offeror for the Consideration.

The Company was also notified by the Offeror and CA NB that, on 16 September 2015, the Acquisition Closing took place, whereby the Vendor sold, and the Offeror as purchaser acquired, the Sales Shares. The Consideration has been fully paid to the Vendor by the Offeror as purchaser.

The Sale Shares were sold free from any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third-party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, and together with all rights and entitlements which the Vendor had in the Sale Shares as at the Acquisition Closing Date, including the right to receive the Accrued Entitlement.

Upon the Acquisition Closing, the Existing Agreements were terminated and ceased to have any effect (in relation to the Existing SPA, so far as it relates to agreements, arrangements, covenants and undertakings of whatsoever nature following completion of the Existing SPA) and the parties to such agreements were released from their respective obligations and liabilities thereunder and from all sums of monies, actions, proceedings, costs, damages, claims and demands which they had, at any time or in the future, against each other or their respective affiliates.

Upon the Acquisition Closing, the Offeror became interested in the entire issued share capital of Starsign. As Starsign holds the entire issued share capital of Standard Cosmos, which, in turn, indirectly holds in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at the Latest Practicable Date, the Offeror and parties acting in concert with it consolidated its control, through its wholly-owned subsidiaries, of the Company upon the Acquisition Closing. Given the only substantial asset of Starsign is its indirect holding of Shares, the Consideration paid pursuant to the Agreement represents an effective price per Share of HK\$0.8608. Pursuant to Note 8 of Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required (i) to make a mandatory general offer for all the Offer Shares and (ii) to make an appropriate offer to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) by way of cancellation of the Share Options, respectively.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, an Independent Board Committee, comprising all four (4) independent non-executive Directors, namely Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing, has been formed to make recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

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## LETTER FROM THE BOARD

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Pursuant to Rule 2.1 of the Takeovers Code, Somerley Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offers, and in particular as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

According to the terms of the Share Options, (i) Share Options are only exercisable after vesting and (ii) if there is a change of control of the Company, vested Share Options shall become exercisable and the Board shall have full discretion on the vesting and exercise of unvested Share Options. Pursuant to the terms of the Share Options, the Board resolved at a Board meeting held on 22 September 2015 to vest all unvested Share Options, totalling 59,478,740 Shares, and all such Share Options became exercisable.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offers as well as setting out the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders and the Optionholders in respect of the terms of the Offers and as to acceptance of the Offers, and the letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee in respect of the terms of the Offers and as to acceptance of the Offers.

### MANDATORY UNCONDITIONAL CASH OFFERS

As mentioned in the “LETTER FROM KARL THOMSON SECURITIES” on pages 9 to 18 of this Composite Document, Karl Thomson Securities is making the Offers for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to the Optionholders for the cancellation of all outstanding Share Options in compliance with Rule 26 and Rule 13 of the Takeovers Code, respectively, on the following basis:

#### **The Share Offer**

For each Offer Share . . . . .HK\$0.8608 in cash

The Share Offer Price of HK\$0.8608 per Offer Share under the Share Offer is the same as the “see-through” purchase price per Share paid by the Offeror under the Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared (which for the avoidance of doubt excluded the Declared Dividend which was paid by the Company on 14 October 2015), made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

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## LETTER FROM THE BOARD

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### The Option Offer

For cancellation of each Share Option with  
exercise price of HK\$0.99 .....HK\$0.001 in cash

Pursuant to Rule 13 of the Takeovers Code, the Option Offer Price for cancellation of each Share Option should normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. However, as the exercise price of all the Share Options (which have all been vested) is HK\$0.99, which is above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is nominal.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety on the date on which the Option Offer is made, being the date of despatch of this Composite Document. The Optionholders should note that if Optionholders do not accept the Option Offer, under the terms of grant of the Share Options, upon the occurrence of a change in control of the Company, the Company may, in its absolute discretion, purchase any unexercised Share Options or any Shares issued upon exercise of the Share Options at such time held by the Optionholders, and the Optionholders shall sell, to the Company such unexercised Share Options or Shares, at the following price:

- in the case of unexercised Share Options, the price offered by the offeror in the general offer minus the applicable exercise price; and
- in the case of Shares issued upon exercise of the Share Options, the price offered by the offeror in the general offer.

The Board resolved on 7 October 2015 to exercise the discretion to buyback any unexercised Share Options which are not tendered for acceptance under the Option Offer after the close of the Option Offer and in accordance with the terms of the grant of such Share Options (the “**Option Buyback**”). The Board also resolved on 3 November 2015 that any Share Options which have not been tendered for acceptance under the Option Offer after the close of the Option Offer and remain unexercised or are not deemed to have been “exercised” (in respect of which see below) as at 6:00 p.m. on the date which is 28 days immediately after the Offers Closing Date (the “**Option Buyback Date**”), will be bought back by the Company at HK\$0.0001 per Share Option (the “**Option Buyback Price**”). For the avoidance of doubt, in respect of any Share Option which has been validly exercised by way of (i) the submission of a duly completed exercise notice and (ii) the payment in full of the relevant exercise price prior to the Option Buyback Date in accordance with the scheme rules of the Share Options, and no new Share has been issued by the Option Buyback Date, such Share Option will be deemed to have been “exercised” and will not be subject to the Option Buyback. The Board also resolved on 3 November 2015 that the Company will not exercise its discretion to buyback any Shares which will be issued pursuant to the exercise of any of the Share Options prior to the Option Buyback Date. Accordingly, Optionholders who do not accept the Option Offer will still have a right to exercise his/her Share Options until the Option Buyback Date.



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## **LETTER FROM THE BOARD**

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The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

As at the Latest Practicable Date, there were 2,002,100,932 Shares in issue and 79,379,622 Share Options outstanding, and save for the aforesaid Share Options, there were no outstanding warrants, options, derivatives or convertible rights affecting the Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities as at the Latest Practicable Date.

Assuming that (a) there is no change in the issued share capital of the Company after the Latest Practicable Date, and (b) none of the outstanding Share Options is exercised prior to the close of the Offers, a total of 2,002,100,932 Shares will be subject to the Share Offer and a total of 79,379,622 Share Options will be subject to the Option Offer.

Acceptance of the Offers shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under Rule 19.2 of the Takeovers Code, details of which are set out in the paragraph headed “5. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

Further details of the Offers, including the terms and procedures for acceptance and settlement of the Offers, are contained in the “LETTER FROM KARL THOMSON SECURITIES” as set out on pages 9 to 18 of, and Appendix I to, this Composite Document and the accompanying Forms of Acceptance.

### **OFFERS ARE UNCONDITIONAL IN ALL RESPECTS**

Upon the Acquisition Closing, the Offeror became interested in the entire issued share capital of Starsign. As Starsign held the entire issued share capital of Standard Cosmos, which, in turn, indirectly held in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at the Latest Practicable Date, the Offeror and parties acting in concert with it consolidated its control, through its wholly-owned subsidiaries, of the Company upon the Acquisition Closing. There are no other conditions to the Offers. Accordingly, as stated on page 11 of the “LETTER FROM KARL THOMSON SECURITIES” of this Composite Document, the Offers are unconditional in all respects on the date of despatch of this Composite Document.

The Offers will remain open for acceptance until 4:00 p.m. on Friday, 18 December 2015, being the Offers Closing Date which is not less than 21 days following the date of this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code).

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## LETTER FROM THE BOARD

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### AMENDMENT TO, AND SUBSEQUENT TERMINATION OF, THE CONSULTANCY SERVICES AGREEMENT

On 30 September 2015, the Company and CA NB entered into the Termination Deed. Pursuant to the Termination Deed:

- i. effective from the Acquisition Closing Date, the consultancy services provided by CA NB pursuant to the Consultancy Services Agreement shall comprise solely and exclusively of the availability of four (4) persons to serve as non-executive Directors;
- ii. effective from the Acquisition Closing Date, no fees shall be payable by the Company to CA NB for the provision of the consultancy services under the Consultancy Services Agreement as amended by the Termination Deed; and
- iii. all the terms and conditions of the Consultancy Services Agreement shall terminate and cease to have any effect with effect from the date when all Investor Directors resign as Directors at the earliest time permitted under the Takeovers Code.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange. It 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 table below sets forth a summary of certain audited consolidated financial information of the Group for the years ended 31 December 2013 and 31 December 2014 extracted from the 2014 annual report of the Group and unaudited consolidated financial information of the Group for the six months ended 30 June 2015 extracted from the 2015 interim report of the Group:

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2014</b>	<b>For the six months ended 30 June 2015</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	439,421	505,761	265,056
Profit before taxation	83,052	116,274	94,524
Profit for the year/period attributable to owners of the Company	58,269	71,480	78,399
Net assets	801,234	786,528	813,567

Further details of the information of the Group are set out in Appendices II, III and IV to this Composite Document.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date.

	<i>Number of Shares</i>	<i>Approx. %</i>
The Offeror and parties acting in concert with it ( <i>Note</i> )		
– <i>Efficient Market Investments Limited</i>	838,430,000	41.88
– <i>Adventa Group Limited</i>	236,580,000	11.82
– <i>Fortune Bright Group Limited</i>	236,580,000	11.82
– <i>Standard Cosmos Limited</i>	2,340,000	0.11
Subtotal of the Offeror and parties acting in concert with it	1,314,030,000	65.63
The Vendor	–	–
Public Shareholders	688,070,932	34.37
Total	<u>2,002,100,932</u>	<u>100.00</u>

*Note:*

Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited are all directly wholly owned by Standard Cosmos, which in turn is wholly owned by Starsign, which is wholly and directly owned by the Offeror as at the date of the Latest Practicable Date. The Offeror is owned as to 40%, 30%, 30% by Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu, respectively.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “INFORMATION ON THE OFFEROR” in the “LETTER FROM KARL THOMSON SECURITIES” as set out in this Composite Document.

### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “INTENTION OF THE OFFEROR IN RELATION TO THE GROUP” in the “LETTER FROM KARL THOMSON SECURITIES” as set out in this Composite Document. The Board is pleased to note the Offeror’s intention (i) to continue with the Group’s existing principal business following the close of the Offers and (ii) to continue the employment of the employees (save for the proposed changes to the composition of the Board), and the Board is willing to render reasonable co-operation to the Offeror for the implementation of its intentions regarding the Group which is in the interests of the Group and the Shareholders as a whole. For the proposed change to the composition of the Board, please refer to the paragraph headed “PROPOSED CHANGE TO THE BOARD COMPOSITION” in the “LETTER FROM KARL THOMSON SECURITIES” as set out in this Composite Document.

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## LETTER FROM THE BOARD

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### INTENTION OF THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY

It is stated in the “LETTER FROM KARL THOMSON SECURITIES” on pages 9 to 18 of this Composite Document that the Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offers.

In the event that the public float of the Company falls below 25% following the close of the Offers, the Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

**The Stock Exchange has stated that if, upon the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.**

### INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all four (4) independent non-executive Directors, namely Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing, has been formed to make recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

Dr. SU Sh-Hsyu, a non-executive Director, is a director of the Offeror and is interested in 30% of the issued share capital of the Offeror. Accordingly, Dr. SU Sh-Hsyu is considered to be interested in the Offers and has not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code. The Investor Directors, namely Mr. Patrick Thomas SIEWERT, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo were Directors nominated by the Vendor pursuant to the Existing Shareholders’ Agreement. As the Vendor was a party to the Agreement and in agreeing to the underlying “see-through” purchase price of HK\$0.8608 per Share sold to the Offeror, the Investor Directors are considered to be interested in the Offers and have not been appointed as members of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages 28 to 30 of this Composite Document, which sets out its recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned, and as to acceptance thereof; and (ii) the “LETTER FROM SOMERLEY CAPITAL” on pages 31 to 58 of this Composite Document, which sets out its advice and recommendations to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendations. You should also read the “LETTER FROM KARL THOMSON SECURITIES”.

The Independent Shareholders and Optionholders are urged to read those letters carefully before taking any action in respect of the Offers.

### ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the Appendices to this Composite Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board  
**Natural Beauty Bio-Technology Limited**  
**TSAI Yen-Yu**  
*Chairperson*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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自然美  
natural beauty

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00157)

27 November 2015

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KARL-THOMSON SECURITIES COMPANY LIMITED  
ON BEHALF OF NEXT FOCUS HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF NATURAL BEAUTY  
BIO-TECHNOLOGY LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY NEXT FOCUS HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH NEXT FOCUS HOLDINGS LIMITED)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**

### **INTRODUCTION**

We refer to the Composite Document jointly issued by the Offeror and the Company dated 27 November 2015 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and to make recommendations to you as to whether, in our opinion, the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptance thereof.

Somerley Capital has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers and as to acceptance thereof.

We wish to draw your attention to the “LETTER FROM KARL THOMSON SECURITIES”, the “LETTER FROM THE BOARD”, and the “LETTER FROM SOMERLEY CAPITAL” as set out in this Composite Document as well as the additional information set out in the Appendices to this Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATIONS

Having considered the terms of the Offers, having taken into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in this Composite Document, we consider that the terms of the Share Offer and the Option Offer to be fair and reasonable. We therefore recommend:

- (a) Independent Shareholders to accept the Share Offer. For Independent Shareholders who particularly value dividend income, they may wish to consider retaining some or all of their Shares owing to the consistently high dividend pay-out of the Company; and
- (b) Optionholders to accept the Option Offer. For Optionholders who take the view that, notwithstanding the Share price never exceeded HK\$0.84 from the beginning of 2013 to the Last Trading Day, the Share price may nevertheless exceed the exercise price of the Share Options of HK\$0.99 in the period which is 28 days after the close of the Option Offer (the “**Option Exercisable Period**”), which will provide them an opportunity to extract certain value during the Option Exercisable Period by exercising the outstanding Share Options and selling the underlying Shares on the market (i.e., the expected net proceeds from selling the underlying Shares on the market from exercising of the outstanding Share Options (net of relevant costs and the exercise price of HK\$0.99) is higher than the net proceeds from accepting the Option Offer or the Option Buyback), they may consider not to accept the Option Offer.

The Independent Shareholders and Optionholders are recommended to read the full text of the “LETTER FROM SOMERLEY CAPITAL” on pages 31 to 58 of this Composite Document. Notwithstanding our recommendations, Independent Shareholders and Optionholders should consider carefully the terms and conditions of the Offers.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Natural Beauty Bio-Technology Limited**

<b>Mr. Francis</b>	<b>Ms. Su-Mei</b>	<b>Mr. CHEN Ruey-Long</b>	<b>Mr. YANG Tze-Kaing</b>
<b>GOUTENMACHER</b>	<b>THOMPSON</b>	<i>Independent</i>	<i>Independent</i>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>



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## LETTER FROM SOMERLEY CAPITAL

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*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 Composite Document.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
The China Building  
29 Queen's Road Central  
Hong Kong

27 November 2015

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

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KARL-THOMSON SECURITIES COMPANY LIMITED  
ON BEHALF OF NEXT FOCUS HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
NEXT FOCUS HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH NEXT FOCUS HOLDINGS LIMITED)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the mandatory unconditional cash offers by Karl Thomson Securities on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all the outstanding Share Options. Details of the Offers are contained in the Composite Document to the Independent Shareholders and the Optionholders dated 27 November 2015, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 16 September 2015, Acquisition Closing took place, whereby the Offeror acquired from the Vendor the other 50% in the share capital of Starsign that it did not already own for a total cash consideration of HK\$565,558,512. Starsign, through its wholly-owned subsidiaries, held in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at the Latest Practicable Date. Upon Acquisition Closing, the Offeror and parties acting in concert with it came to hold the entire issued capital of Starsign, consolidating its control, through its wholly-owned subsidiaries, of the Company. Given the only substantial asset of Starsign is its indirect holding of the Shares, the Consideration paid pursuant to the Agreement represents an effective price per Share of HK\$0.8608.

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## LETTER FROM SOMERLEY CAPITAL

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As a result of Acquisition Closing, the Offeror is required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options.

As at the Latest Practicable Date, there were 2,002,100,932 Shares in issue and there were in aggregate outstanding Share Options in respect of 79,379,622 Shares (all of which have been vested). Karl Thomson Securities is making the Share Offer and the Option Offer, on behalf of the Offeror, to the Independent Shareholders and the Optionholders, respectively.

### INDEPENDENT BOARD COMMITTEE

The Board comprises three executive Directors, five non-executive Directors and four independent non-executive Directors. In forming the Independent Board Committee, in accordance with Rule 2.8 of the Takeovers Code, all non-executive Directors were considered to be interested in the Offers and have not been appointed as a member of the Independent Board Committee, namely:

- (i) Dr. SU Sh-Hsyu, a non-executive Director, is a director of the Offeror and is interested in 30% of the issued share capital of the Offeror; and
- (ii) the Investor Directors, namely Mr. Patrick Thomas SIEWERT, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo were non-executive Directors nominated by the Vendor pursuant to the Existing Shareholders' Agreement, and the Vendor was a party to the Agreement and in agreeing to the underlying "see-through" purchase price of HK\$0.8608 per Share (which is equivalent to the Share Offer Price) sold to the Offeror.

The Independent Board Committee, comprising all four independent non-executive Directors, namely Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing, has been formed to advise the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. The Independent Board Committee has approved our appointment as the independent financial adviser to advise the Independent Board Committee in the same regard.

### BASIS OF OUR ADVICE

We are not associated or connected with the Company or the Offeror, their respective controlling 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 Offers. Apart from normal professional fees payable to us in connection with this appointment or other similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them.

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## LETTER FROM SOMERLEY CAPITAL

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In formulating our opinion, we have reviewed, among other things, the Holding Announcements, the Joint Announcement, the annual reports of the Company for each of the two years ended 31 December 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”) and the information as set out in the Composite Document. We have also conducted discussions with management of the Group.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the date of this letter and the Independent Shareholders and the Optionholders will be notified of any material changes, if any, as soon as reasonably practicable in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent Shareholders and the Optionholders of acceptance or non-acceptance of the Offers since these are particular to their individual circumstances. In particular, the Independent Shareholders and the Optionholders 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.

### **PRINCIPAL TERMS OF THE OFFERS**

Upon Acquisition Closing, as the Offeror and parties acting in concert with it became interested in the entire issued share capital of Starsign, which in turn held indirectly and in aggregate 1,314,030,000 Shares, representing approximately 65.63% of the issued share capital of the Company as at the Latest Practicable Date. Karl Thompson Securities is making the Offers on behalf of the Offeror in compliance with the Takeovers Code and on the following basis:

#### **The Share Offer**

For each Offer Share . . . . .HK\$0.8608 in cash

The Share Offer Price of HK\$0.8608 per Offer Share under the Share Offer is the same as the “see-through” purchase price per Share paid by the Offeror under the Agreement. The Offer Shares to be acquired under the Share Offer will be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document.

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## LETTER FROM SOMERLEY CAPITAL

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The Share Offer is not conditional upon any minimum level of acceptances of the Share Offer and is unconditional. The Share Offer will close on 18 December 2015.

### **The Option Offer**

For cancellation of each Share Option with an exercise price of  
HK\$0.99. . . . . HK\$0.001 in cash

As the Share Offer Price of HK\$0.8608 is below the exercise price of HK\$0.99 of all the Share Options (which have all been vested), the Option Offer Price for cancellation of each Share Option is nominal.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

The Offers are unconditional in all respects. Acceptance of the Offers would be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code. Details of the terms of the Offers are contained in the letter from Karl Thomson Securities and Appendix I to the Composite Document. The Independent Shareholders and the Optionholders are urged to read the relevant sections in the Composite Document in full.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Information on the Group**

##### ***(a) Business of the Group***

The business of the Group can be divided into two main areas, namely (i) sales of products under its own brand names (i.e., “Natural Beauty” (「自然美」) and “NB”) primarily through franchised spas, which numbered 1,094 spas as at 30 June 2015, supplemented by 4 self-owned spas and 14 self-operated concessionary counters in department stores in the PRC, Taiwan, Hong Kong, Macau and Malaysia; and (ii) provision of self-owned spa’s services and training.

Franchised spas are owned by the franchisees who are responsible for the capital investment in these spas and are obliged to only use “Natural Beauty” branded products in their spas. The self-owned spas serve mainly as model outlets in strategic locations to stimulate overall sales of products to franchisees.

## LETTER FROM SOMERLEY CAPITAL

The Group is recognised by customers and franchisees for its quality product. Bio-technology materials are imported from Europe, Japan and Australia to ensure the production of quality products. The Group also puts significant emphasis on research and development to improve quality and develop new products. The Group has also been collaborating with overseas skin-care companies on technological development of its products. With its deep experience and expertise in the field of skin care, the Group's product sales consistently accounted for a vast majority of the Group's total revenue and remains the core driver of the Group's business model.

### (b) *Financial information on the Group*

#### (i) *Financial results*

Set out below is the summarised financial information on the Group for the five years ended 31 December 2014 and for the six months ended 30 June 2014 and 2015 (the “**Review Period**”), respectively:

	For the six months		For the year ended 31 December				
	ended 30 June		2014	2013	2012	2011	2010
	2015	2014	2014	2013	2012	2011	2010
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)	(audited)	(audited)
Turnover	265.1	248.5	505.8	439.4	483.4	591.3	485.4
– Product sales	262.1	245.3	498.6	434.2	479.6	584.7	476.4
– Service	3.0	3.2	7.2	5.2	3.8	6.6	9.0
Gross profit	206.4	190.7	388.8	333.1	379.8	469.1	355.4
<i>Gross profit margin</i>	77.9%	76.7%	76.9%	75.8%	78.6%	79.3%	73.2%
Profit before taxation	94.5	54.8	116.3	83.1	155.3	173.6	75.8
Profit attributable to the Shareholders	78.4	29.7	71.5	58.5	119.3	115.1	31.3
<i>Net profit margin</i>	29.6%	12.0%	14.1%	13.3%	24.7%	19.5%	6.4%
Earnings per Share (Hong Kong cents)	3.92	1.48	3.6	2.9	6.0	5.8	1.6
Dividend per Share (Hong Kong cents)	3.92	2.10	5.29	2.63	2.28	8.50	8.00
<i>Dividend pay-out ratio</i>	100.0%	141.9%	146.9%	90.7%	38.0%	146.6%	500.0%

As set out in the table above, turnover of the Group had ups and downs from 2010 to 2014, yet achieved a modest growth at a compound annual growth rate of approximately 1.0%. In 2011, the Group enjoyed an approximately 21.8% growth in turnover primarily attributable to the strong performance of the new concept stores and higher average sales per store in the PRC. In the following year, however, the

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## LETTER FROM SOMERLEY CAPITAL

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Group experienced a decline in revenue mainly influenced by the economic downturn, weak consumer market in the PRC and Taiwan and intensified competition in the spa industry. In 2013, the revenue dropped to its lowest in the Review Period due to the weak consumer market in Taiwan and the rationalisation of the franchised spas in the PRC. In 2014, despite the slowdown in the PRC's economic growth, the Group managed to achieve an approximately 15.1% growth in turnover. The increase in turnover was driven by the increase in sales of products, mainly due to the adoption of "direct own retail" management system, which introduced computerisation and ongoing monitoring and standardising services for franchised stores, to get better control over franchisees and drive higher store productivity.

In the first half of 2015, the Group has scaled down the distribution channel in both the PRC and Taiwan markets and has imposed a tighter control on the quality of the franchisees-owned spas and terminated those not meeting quality standard. During the period, the Group terminated approximately one-fourth of franchisees-owned spas in the PRC. At the same time, the Group has further implemented the "direct-own-retail" management system in the PRC market to boost sales per store. The Group also focused on product mix with higher profit margin, such as "NB-1" and "Bio", the flagship products of the Group. As a result, the turnover further improved by an approximately 6.7% in the first half of 2015 as compared to the first half of 2014. The average sales per store increased from approximately HK\$183,000 in the first half of 2014 to approximately HK\$227,000 in the first half of 2015.

Gross profit margin remained generally in a close range throughout the Review Period of approximately 73.2% and approximately 79.3%.

The Group recorded full year net profit in the range of approximately HK\$31.3 million and approximately HK\$119.3 million during the Review Period. The changes in the full year net profit are largely correlated to the improvement in gross profit margin, as the administrative, selling and distribution expenses remained relatively steady due to the cost control implemented by the Group during the Review Period, except for 2011 and 2012. In 2011, the Group recognised an expense of approximately HK\$30.2 million in relation to the share based payment. In 2012, the Group made a reversal of share based payment expense of approximately HK\$28.0 million. Both the expense and reversal of the expense of the share based payment were non-recurring in nature. Disregarding these one-off item, the net profit margin in 2011 and 2012 would have been 24.5% and 18.9% respectively.

In the first half of 2015, the Group recorded a significant one-off gain in relation to tax refund for dividend income and royalties of approximately HK\$13.6 million. Discounting this one-off item, the net profit margin of the Group in the first half of 2015 would have been adjusted to approximately 24.4%, against approximately 18.6% for the full year of 2014 after adjustments were made for the impairments on property, plant and equipment and other receivables of approximately HK\$22.4 million.

## LETTER FROM SOMERLEY CAPITAL

As set out in the table above, the Company has had a relatively high dividend pay-out ratio (derived from dividend per ordinary share divided by earnings per share (“EPS”)), which has been generally close to or over 100%, except for 2012. The Group had a dividend pay-out ratio of 100% for the six months ended 30 June 2015.

### (ii) Financial position

	As at 30 June		As at 31 December				2010 HK\$ (million) (audited and restated)
	2015 HK\$ (million) (unaudited)	2014 HK\$ (million) (unaudited)	2014 HK\$ (million) (audited)	2013 HK\$ (million) (audited)	2012 HK\$ (million) (audited)	2011 HK\$ (million) (audited)	
<b>Non-current assets</b>							
Property, plant and equipment	214.9	246.5	223.7	257.2	272.8	261.1	232.1
Leasehold land payment	9.0	9.2	9.1	9.5	9.5	9.7	9.6
Goodwill	28.5	28.2	28.3	28.4	27.6	27.5	26.6
Investment properties	6.1	6.0	5.9	6.0	6.0	5.1	5.3
Deposit paid for acquisition of land use right	12.7	12.6	12.7	12.7	12.3	–	–
Other non-current assets	–	1.3	1.9	0.9	0.6	–	–
	271.2	303.8	281.6	314.7	328.8	303.4	273.6
<b>Current assets</b>							
Bank balances and cash	648.1	599.6	583.3	507.4	432.4	558.3	575.5
Other current assets	135.4	128.3	112.8	160.0	122.8	96.9	91.8
	783.5	727.9	696.1	667.4	555.2	655.2	667.3
<b>Total liabilities</b>	258.8	248.0	203.8	193.8	136.0	170.4	158.3
<b>Net assets</b>	795.9	783.7	773.9	788.3	748.0	788.2	782.6
<b>Shareholders' equity</b>	795.9	783.7	773.9	788.3	748.2	788.0	782.5
<b>Minority interests</b>	–	–	–	–	(0.2)	0.2	0.1
<b>Total equities</b>	795.9	783.7	773.9	788.3	748.0	788.2	782.6
<b>Shareholders' equity per Share (HK cents)</b>	39.75	39.14	38.65	39.37	37.36	39.37	39.09

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## LETTER FROM SOMERLEY CAPITAL

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- (A) Property, plant and equipment, leasehold land payment, investment properties and deposits paid for acquisition of land use right

Property, plant and equipment mainly comprised buildings, leasehold improvements, plant and machinery, and furniture, fixture and equipment of the Group's production factory in Shanghai, the PRC. The leasehold land payment represented the land portion of the leasehold land and building of the Group. Investment properties represented the freehold land in Taiwan. Deposit paid for acquisition of land use right represented the earnest money paid for acquisition of a land located in Fengxian District, Shanghai.

Based on the property valuation report in Appendix III to the Composite Document, the valuation of the land and building, including the investment properties and the land use right in Fengxian District, of the Group was appraised at approximately HK\$418.8 million as at 31 October 2015, representing an increase of approximately HK\$275.8 million as compared with the corresponding net book value of the land and building, including the investment properties, of the Group of approximately HK\$143.0 million as at 31 October 2015.

- (B) Bank balances and cash

Bank balances and cash maintained at a high level throughout the Review Period. As at 30 June 2015, bank balances and cash represented approximately 61.4% of the total assets.

- (C) Other current assets

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

- (D) Total liabilities

Total liabilities mainly comprised trade and other payables, dividend payable, deferred income, taxation payable and retirement benefits obligations. The Group did not have any borrowings and has remained substantially debt free in the past few years. The increase in the balance of total liabilities as at 30 June 2015 compared with the balance as at 31 December 2014 was mainly due to the accrual of a final dividend for the year ended 31 December 2014 of approximately HK\$63.8 million.



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## LETTER FROM SOMERLEY CAPITAL

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(E) Net asset value (“NAV”) per Share

The consolidated NAV per Share remained stable in the range from approximately HK\$0.37 per Share to approximately HK\$0.40 per Share, which could be attributable to the Group’s light-asset strategy and high dividend pay-out ratio during the Review Period. After taking into account the revaluation surplus in the market valuation of land and buildings and investment properties as discussed in the paragraph (A) above, the consolidated reassessed NAV per Share as at 30 June 2015 would have increased from HK\$0.40 to HK\$0.54 per Share, which is approximately 37.3% below the Share Offer Price of HK\$0.8608.

(c) *Future prospects of the Group*

We have also discussed current trading prospects with the Directors and management of the Group. Although the Group achieved growth in turnover and profit for the first half of 2015, as compared to the corresponding period in 2014 and full year of 2014, the Directors and management remained cautious towards the trading prospects in the second half of 2015 and full year of 2016, particularly in view of the recent downturn of the Chinese stock market and decreasing consumer confidence in the PRC.

The Group will continue its strategy in standardising service quality and managing franchisees-owned spas, and it will further expand its “direct own retail” management system to get better control over franchisees so as to drive higher store productivity and enhance consumers’ awareness of the “Natural Beauty” brand. The Group will also integrate the franchisee network through establishing a point-of-sale system to closely monitor the sale of products. The Group will continue to promote its flagship brand “NB-1 and Bio” product family and launch new products in both the PRC and Taiwan markets. The aforesaid strategies have paid off during the first half of 2015 and resulted in an improved performance as compared to the corresponding period in prior year. Nevertheless, the future prospects of the Group will hinge on the continuation of the successful execution of these strategies after the proposed changes to the Board upon close of the Offers.

## 2. Industry overview

The emerging of middle-class market consumption and the increasing awareness of personal well-being offer sizeable opportunities and a decent growth potential in the PRC market. With the improvement of living standard, an emerging young generation with preference for affordable luxury products and emphasis on personalisation and well-being, the beauty and personal care market has enjoyed a sizeable growth in the PRC market. At the same time, the growing market brought in more competition within the market. In the traditional beauty and personal care services, market segmentation and professionalisation were observed. In addition to the traditional beauty and personal care services, more specialised products and services in hair treatment, skincare and male care products and services emerged as a sizeable market, which provides the Group with a number of potential opportunities to seize as well as additional growth momentum on turnover.

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## LETTER FROM SOMERLEY CAPITAL

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According to 中國美容美髮行業發展報告2015 (the 2015 Beauty and Hair Salon Industry Report) (the “**Industry Report**”) published by 中國商務部服務貿易和商貿服務業司 (The Ministry of Commerce of the People’s Republic of China Department of Trade in Services and Commercial Services) and 中國美髮美容協會 (China Hair and Beauty Association), an industry organisation of hair and beauty approved by Ministry of Civil Affairs of the PRC, in June 2015, the consumer spending on professional beauty and personal care services in the PRC amounted to approximately RMB168.7 billion in 2014, representing an increase of approximately 15.3% compared to 2013. The increase in demand for beauty and personal care services was mainly attributable to the increase in disposable income and growing emphasis on personalisation and well-being. At the same time, there has been a growing importance in the brand awareness, professionalism and high quality of service in the industry. However, according to the Industry Report, the surge of operating cost (from approximately 60% in the past to 80% or above), especially personnel cost, poses a major challenge given the economic pressure in the PRC.

Furthermore, as disclosed in the 2015 Interim Report, the Group believes the weakening momentum in economic growth in the PRC would impose challenges to the beauty and personal care market. As discussed with the management of the Group, the performance of beauty and personal care market hinges heavily on the individuals’ disposable income. Given the recent downturn of the Chinese stock market and declining consumer sentiment in China, the beauty and personal care market is expected to face challenges in near future.

Having considered the various signs of economic environment and the general market overview of the beauty and personal care market in the PRC and the high correlation between individuals’ disposable incomes and the demand for high-end goods such as cosmetic and personal care products, we remain cautious towards the outlook of the industry.

### **3. Information on the Offeror**

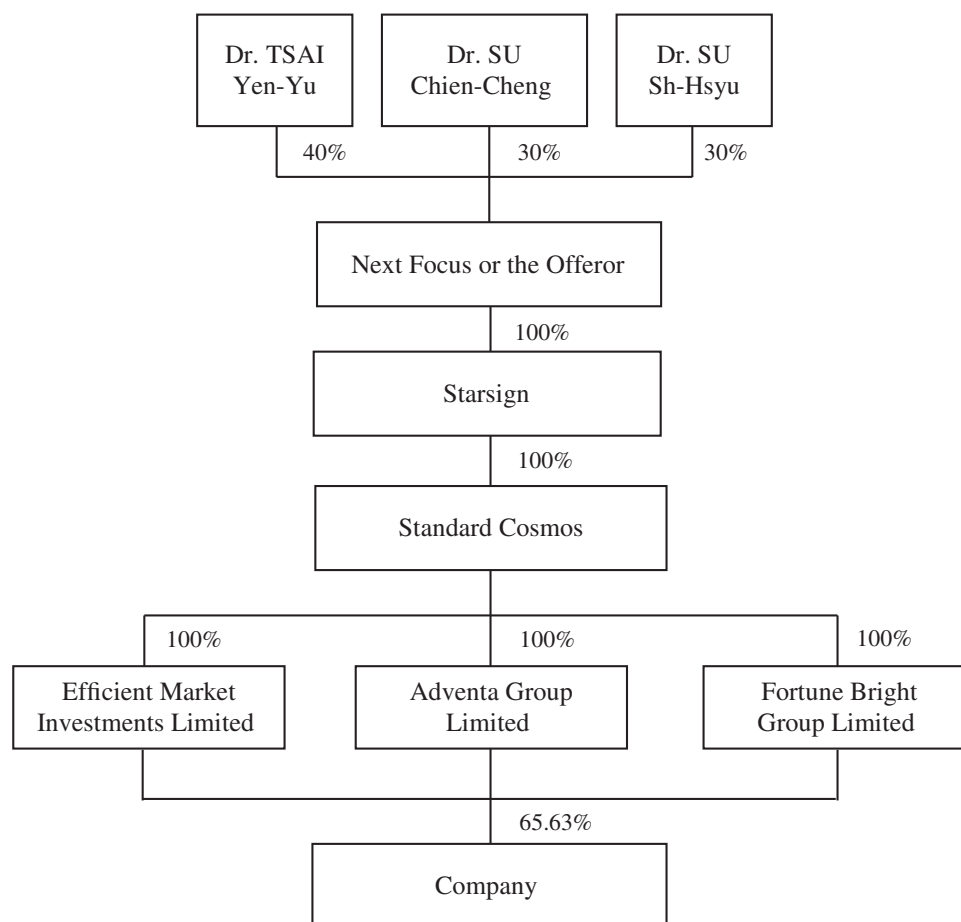
As set out in the letter from Karl Thomson Securities in the Composite Document, the Offeror is a company incorporated in the BVI on 12 August 2009. The Offeror is directly held as to 40%, 30% and 30% by each of Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu, respectively, all of whom are Directors as at the Latest Practicable Date. Upon Acquisition Closing, the Family Members, through the Offeror and its wholly-owned subsidiaries, controlled approximately 65.63% of the issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM SOMERLEY CAPITAL

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Set out below is the shareholding relationship among the Company, Standard Cosmos, Starsign, the Offeror, Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu as at the Latest Practicable Date:



#### 4. Intention of the Offeror in relation to the Group and the listing status of the Company

As set out in the letter from Karl Thomson Securities in the Composite Document, it is the intention of the Offeror that, following the close of the Offers, the Group will continue to carry on with its existing principal business of manufacturing and selling skincare, beauty and aromatherapy products, the provision of skin treatments, beauty and spa services, skin care consulting and beauty training. The Offeror has no intention, following the close of the Offers, to discontinue the employment of the employees (save for the proposed changes to the composition of the Board as discussed in the following section of this letter) or to dispose of or redeploy the assets of the Group. The Offeror will review the Group's policy and structure for all Directors' and senior management remuneration having regard to the recommendations of the Company's remuneration committee, after the close of the Offers. The Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

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Furthermore, as set out in the letter from Karl Thomson Securities in the Composite Document, the Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offers. In the event that the public float of the Company falls below 25% following the close of the Offers, the Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, is held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

**The Independent Shareholders are reminded that in the event that there is less than 25% of the Shares are held by the public upon the close of the Offers, the insufficient public float may result in a temporary suspension in the trading in the Shares on the Stock Exchange.**

### **5. Proposed change to the Board composition**

As at the Latest Practicable Date, the Board comprised 12 Directors, namely Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta and Dr. SU Chien-Cheng as executive Directors; Mr. Patrick Thomas SIEWERT, Dr. SU Sh-Hsyu, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo as non-executive Directors; and Mr. Francis GOUTENMACHER, Ms. Su-Mei THOMPSON, Mr. CHEN Ruey-Long and Mr. YANG Tze-Kaing as independent non-executive Directors.

It is intended that all the Investor Directors (i.e., Mr. Patrick Thomas SIEWERT, Mr. Gregory Michael ZELUCK, Ms. GONG Zhizhi and Mr. CHANG Hsiuguo, all being non-executive Directors) will resign with effect from the earliest time permitted under the Takeovers Code (i.e., after the first closing date of the Offers, being 18 December 2015). The Offeror intends to nominate new Directors to the Board with effect after the close of the Offers. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules.

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## LETTER FROM SOMERLEY CAPITAL

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### 6. Analysis of the Share Offer Price

#### *(a) Comparison of the market prices of the Shares*

The Share Offer Price of HK\$0.8608 per Offer Share represents:

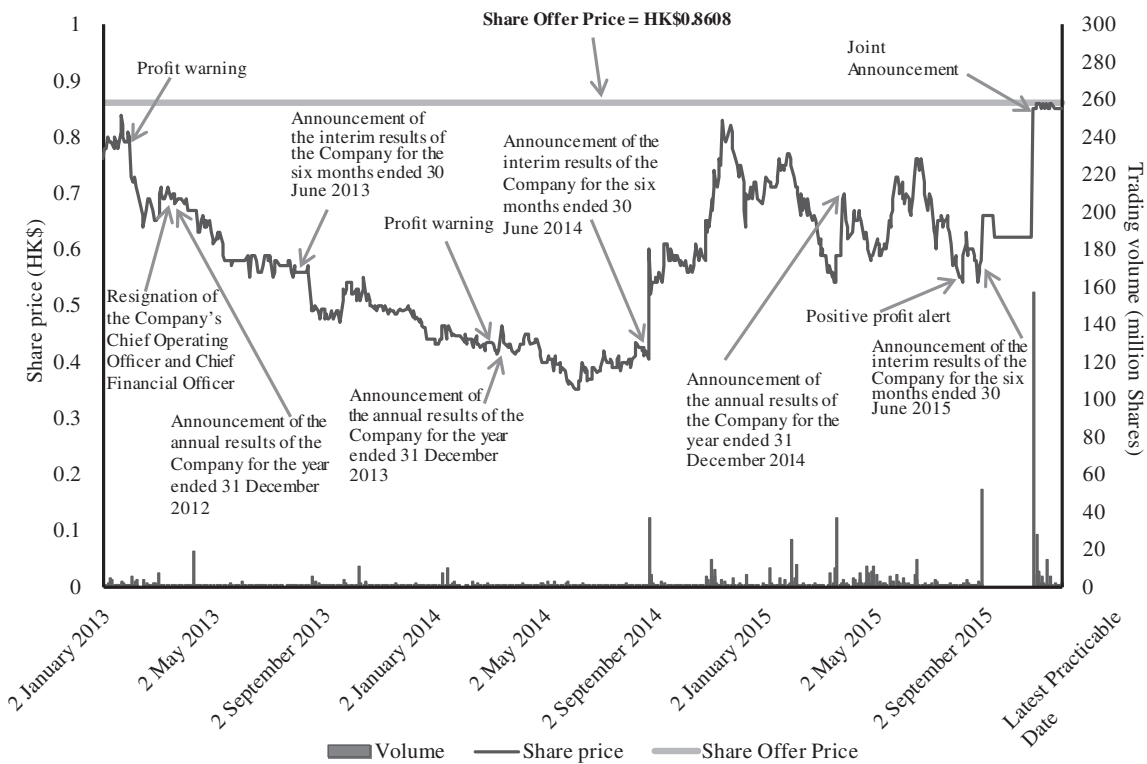
- (i) a premium of approximately 30.42% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on 28 August 2015, being the Last Trading Day;
- (ii) a premium of approximately 47.90% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.582 per Share;
- (iii) a premium of approximately 46.89% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.586 per Share;
- (iv) a premium of approximately 45.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$0.592 per Share;
- (v) a premium of approximately 34.50% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty consecutive trading days up to and including the Last Trading Day of approximately HK\$0.640 per Share;
- (vi) a premium of approximately 1.27% over the closing prices of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of approximately HK\$0.85 per Share;
- (vii) a premium of approximately 122.72% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3865 per Share as at 31 December 2014, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$773.9 million as at 31 December 2014 and 2,002,100,932 Shares in issue as at the Latest Practicable Date;
- (viii) a premium of approximately 116.55% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.3975 per Share as at 30 June 2015, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately HK\$795.9 million as at 30 June 2015 and 2,002,100,932 Shares in issue as at the Latest Practicable Date; and

## LETTER FROM SOMERLEY CAPITAL

- (ix) a premium of approximately 59.41% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.54 per Share as at 30 June 2015, calculated based on the Group’s reassessed unaudited consolidated net assets attributable to the Shareholders of approximately HK\$1,072.1 million as at 30 June 2015 and 2,002,100,932 Shares in issue as at the Latest Practicable Date.

**(b) Historical price performance of the Shares**

Set out below is the movement of the closing Share price from 2 January 2013 to the Latest Practicable Date (the “**Relevant Period**”):



Sources: Bloomberg and website of the Stock Exchange

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## LETTER FROM SOMERLEY CAPITAL

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During the Relevant Period, the Company announced a number of developments which we consider to be crucial in shaping the market price of the Shares and therefore we consider the Relevant Period a reasonable period of time for the purpose of our analysis below. As set out in the chart above, the closing Share price was consistently below HK\$0.8608 prior to the Trading Day. The high and low closing Share prices prior to the Trading Day were HK\$0.84 and HK\$0.35 respectively. The Share price closed at HK\$0.84 on 22 January 2013, which was at its highest level prior to the Last Trading Day. Following the announcements of a profit warning on 31 January 2013 regarding a significant decline of the Company's profits for the year ended 31 December 2012 relative to the previous year and the resignations of the chief operating officer and chief financial officer of the Company on 13 March 2013, the closing Share price declined significantly over the course of the entire 2013. The release of a profit warning announcement on 6 March 2014 due to the combined effect of (i) higher non-cash management option expense; and (ii) a decline in profitability of Taiwan market, had further suppressed the Share price and the closing Share Price reached its lowest point of HK\$0.35 in early June 2014. The Share price later rebounded in August 2014 following the announcement of the Company's interim results for the six months ended 30 June 2014. The rebound had led the Share price to close briefly at HK\$0.83 on 14 November 2014. However, such Share price peak only lasted for a few days in mid to late November 2014. After November 2014 and until the Last Trading Day, the closing Share price ranged from HK\$0.77 to HK\$0.54, with an average of HK\$0.657. Since March 2015, albeit there was a significantly strengthening of the trading volume of the Shares, which was in line with the prevailing trend of the broader market at the time, as well as a release of a positive profit alert announcement of the Company on 7 August 2015 in respect of the interim results for the six months ended 30 June 2015, the Share price was unable to break through the HK\$0.83 ceiling level once attained in November 2014.

Trading in the Shares was suspended after the Last Trading Day and resumed on 23 October 2015. The closing Share price rose by approximately 28.8% on the day on which trading resumed after the release of the Joint Announcement. Closing Share price was slightly below the HK\$0.8608 level during the period after the resumption in trading on 23 October 2015 and up to the Latest Practicable Date. As at the Latest Practicable Date, closing Share price was HK\$0.85. In our opinion, the Share price at the moment is supported by the Share Offer Price and the Independent Shareholders should note that there is no assurance that the current level of Share price will be sustained or will not return to the previous trading level subsisting in the period prior to the Last Trading Day and it is uncertain whether the market price per Share will be higher than the Share Offer Price during the offer period (i.e., 27 November 2015 to 18 December 2015, both dates inclusive, unless extended in accordance with the Takeovers Code (the "Offer Period")). Independent Shareholders are reminded to closely monitor the market price of the Shares during the Offer Period.

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**LETTER FROM SOMERLEY CAPITAL**

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*(c) Liquidity of the Shares*

Set out in the table below are figures regarding (i) the monthly total trading volume of the Shares; (ii) the percentages of such monthly total trading volume to the total issued share capital; and (iii) the percentage of such monthly total trading volume to public float of the Company during the Relevant Period:

	<b>Monthly total trading volume of the Shares</b>	<b>Percentage of the monthly total trading volume of the Shares to the total issued share capital (Note 1)</b>	<b>Percentage of the monthly total trading volume of the Shares to public float (Note 2)</b>
<b>2013</b>			
January	30,225,267	1.5%	4.4%
February	27,912,000	1.4%	4.1%
March	16,350,700	0.8%	2.4%
April	22,720,000	1.1%	3.3%
May	7,970,000	0.4%	1.2%
June	6,645,200	0.3%	1.0%
July	3,005,000	0.2%	0.4%
August	14,730,000	0.7%	2.1%
September	11,541,000	0.6%	1.7%
October	23,470,000	1.2%	3.4%
November	5,200,000	0.3%	0.8%
December	8,975,000	0.4%	1.3%
<b>2014</b>			
January	25,688,000	1.3%	3.7%
February	10,588,885	0.5%	1.5%
March	4,610,000	0.2%	0.7%
April	7,500,000	0.4%	1.1%
May	13,530,000	0.7%	2.0%
June	9,450,000	0.5%	1.4%
July	2,790,000	0.1%	0.4%
August	52,243,000	2.6%	7.6%
September	17,930,000	0.9%	2.6%
October	17,840,000	0.9%	2.6%
November	53,673,980	2.7%	7.8%
December	17,546,680	0.9%	2.6%



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	<b>Monthly total trading volume of the Shares</b>	<b>Percentage of the monthly total trading volume of the Shares to the total issued share capital</b> <i>(Note 1)</i>	<b>Percentage of the monthly total trading volume of the Shares to public float</b> <i>(Note 2)</i>
<b>2015</b>			
January	51,310,000	2.6%	7.5%
February	27,720,000	1.4%	4.0%
March	68,990,000	3.4%	10.0%
April	73,660,000	3.7%	10.7%
May	45,690,000	2.3%	6.6%
June	50,664,900	2.5%	7.4%
July	22,950,000	1.1%	3.3%
August	76,384,280	3.8%	11.1%
September	–	–	–
October	207,666,941	10.4%	30.2%
From 1 November to the Latest Practicable Date	40,553,059	2.0%	5.9%

*Source: Bloomberg*

*Notes:*

1. The calculation is based on the monthly trading volume of the Shares divided by the number of the Shares in issue as at the end of each month during the Relevant Period, all being 2,002,100,932 Shares.
2. The calculation is based on the monthly trading volume of the Shares divided by the number of the Shares in issue as set out in note 1 above excluding the Shares held by the core connected persons of the Company in each of the corresponding month during the Relevant Period.

We note from the above table that the monthly trading volume of the Shares was generally thin in general during the Relevant Period, except for certain months as explained below. During the months from the beginning of the Relevant Period to February 2015, the monthly trading volume of the Shares over the public float of the Company had been consistently maintained at a single-digit percentage point. There was notable increase in the trading volume of the Shares since March 2015, which we consider to be in line with the broader market at the time. During the two months of March and April 2015, the monthly trading volume of the Shares over the public float of the Company was approximately 10.0% and 10.7%, respectively, slightly over the single-digit percentage point over the past two years. Trading volume of the Shares returned to normal in May, June and July 2015 which in general corresponded to the declining trading volume of the Hong Kong stock market in those months. It was not until August 2015 that the trading volume of the Shares picked up again after a positive profit alert was released

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by the Company on 7 August 2015 in respect of the interim results for the six months ended 30 June 2015. The monthly trading volume of the Shares over the public float of the Company for August 2015 was approximately 11.1%. On balance, the trading volume of the Shares prior to the Trading Day had been thin, representing approximately 1.3% and 3.8% of the total issued share capital and public float of the Company, respectively. There has been a surge in trading volume since the release of the Joint Announcement, which we consider to be mainly related to Independent Shareholders'/investors' reaction to the Offers.

Given the thin historical trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Share Offer, therefore, represents an opportunity for the Independent Shareholders, particularly for those who hold a large number of Shares, to dispose of some or all of them at the Share Offer Price if they so wish, without creating a significant downside pressure on the trading price of the Shares.

*(d) Comparison of trailing twelve-month price to earnings multiples (“P/E Multiples”) and dividend yields (“Dividend Yields”) of the Comparable Companies (as defined below)*

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. In assessing the fairness and reasonableness of the Share Offer, we have compared the P/E Multiples and the Dividend Yields represented by the Share Offer Price with those of the other companies listed on the Main Board of the Stock Exchange which (i) have target customers or markets similar to that of the Group; and (ii) are engaged in sales of cosmetic, skin care and beauty related products and/or provision of related services (the “**Comparable Companies**”). Set out below is the list of the Comparable Companies together with the relevant comparison of P/E Multiples and Dividend Yields.

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Name	Stock code	Principal business activities	Latest financial year-end date	Market capitalisation as at the Latest Practicable Date (HK\$ million)	P/E Multiple (times) (Note 1)	Dividend Yield (%) (Note 2)
L'Occitane International S.A. ("L'Occitane")	973	L'Occitane is a global, natural and organic ingredient based cosmetics and well-being products enterprise. It designs, manufactures and markets a wide range of cosmetics and well-being products based on natural and organic ingredients.	31 March 2015	22,686.2	26.3	1.63
Sa Sa International Holdings Limited ("Sa Sa")	178	Sa Sa, through its subsidiaries, retails and wholesales cosmetics. It also provides beauty and health club services to members.	31 March 2015	8,334.9	12.7	4.78
Perfect Shape (PRC) Holdings Limited ("Perfect Shape")	1830	Perfect Shape offers slimming and beauty treatments.	31 March 2015	1,528.2	11.1	9.04
Bonjour Holdings Limited ("Bonjour")	653	Bonjour retails and wholesales brand name beauty and healthcare products. It also operates beauty and health salons in Hong Kong. The products sold by Bonjour and its subsidiaries include skin-care products, fragrances and cosmetics, health-care products, and hair-care and personal-care products and accessories.	31 December 2014	1,229.5	2.3 (Note 3)	6.11

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Name	Stock code	Principal business activities	Latest financial year-end date	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>	P/E Multiple <i>(times)</i> <i>(Note 1)</i>	Dividend Yield <i>(%)</i> <i>(Note 2)</i>
Veeko International Holdings Limited <b>(“Veeko”)</b>	1173	Veeko, through its subsidiaries, designs, manufactures, and retails branded ladies apparel products. It also conducts retail of cosmetics and skin care products. <i>(Note 4)</i>	31 March 2015	1,003.3	9.6	4.76
Water Oasis Group Limited <b>(“Water Oasis”)</b>	1161	Water Oasis distributes exclusively “H2O+” brand skin-care products in Hong Kong, Macau, Taiwan and China. It also operates spa centers under the “Oasis Spa”, “Oasis Beauty”, and “Oasis Beauty Homme” brand names.	30 September 2014	725.8	10.0	9.47
Modern Beauty Salon Holdings Limited <b>(“Modern Beauty”)</b>	919	Modern Beauty operates beauty salons, spas, and fitness centers. It offers services that include beauty and facial, spa and message, slimming, and fitness services.	31 March 2015	472.0	6.9	10.19
				<b>Average</b>	11.3	6.57
				<b>Median</b>	10.0	6.11
				<b>Maximum</b>	26.3	10.19
				<b>Minimum</b>	2.3	1.63

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Name	Stock code	Principal business activities	Latest financial year-end date	Market capitalisation as at the Latest Practicable Date (HK\$ million)	P/E Multiple (times) (Note 1)	Dividend Yield (%) (Note 2)
<b>The Share Offer</b>	157	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.	31 December 2014		14.3 (Note 5)	8.26 (Note 6)

Sources: Bloomberg and the respective companies' annual reports/results and interim reports/results.

*Notes:*

- The P/E Multiples of the Comparable Companies are calculated based on the share price of the respective Comparable Companies as at the Latest Practicable Date divided by the trailing twelve-month basic EPS of the respective Comparable Companies as shown in their respective latest published annual reports/results or interim reports/results. The trailing twelve-month basic EPS of the respective Comparable Companies is (i) for those Comparable Companies with latest financial year end date on 31 March 2015 which had not yet published the interim result announcements for the six months ended 30 September 2015 as at the Latest Practicable Date (i.e. Veeko and Modern Beauty), the basic EPS for the year ended 31 March 2015; (ii) for those Comparable Companies with latest financial year end date on 31 March 2015 which had already published the interim result announcements for the six months ended 30 September 2015 as at the Latest Practicable Date (i.e. L'Occitane, Sa Sa and Perfect Shape), the basic EPS for the year ended 31 March 2015, minus the basic EPS for the six months ended 30 September 2014 plus the basic EPS for the six months ended 30 September 2015; (iii) for those Comparable Companies with latest financial year end date on 31 December 2014 (i.e. Bonjour), the basic EPS for the year ended 31 December 2014 minus the basic EPS for the six months ended 30 June 2014 plus the basic EPS for the six months ended 30 June 2015; and (iv) for those Comparable Companies with latest financial year end date on 30 September 2014 (i.e. Water Oasis), the basic EPS for the year ended 30 September 2014 minus the basic EPS for the six months ended 31 March 2014 plus the basic EPS for the six months ended 31 March 2015. The basic EPS of the respective Comparable Companies are calculated based on the consolidated net profit attributable to the shareholders of the respective Comparable Companies divided by the basic weighted-average shares outstanding for the relevant year/period.
- The Dividend Yields of the Comparable Companies are calculated based on the total dividend, but excluding special dividend (if any), declared by the Comparable Companies in the past twelve months prior to the Latest Practicable Date divided by the share price of the respective Comparable Companies as at the Latest Practicable Date.
- Bonjour's relatively low P/E Multiple is mainly attributable the profit from the disposal of its beauty and health salons operations in January 2015 of approximately HK\$399.0 million. If the profit from the aforesaid disposal is excluded, the adjusted P/E Multiple of Bonjour would become 10.9 times.
- According to Veeko's annual report for the year ended 31 March 2015, the turnover generated from Veeko's retail of cosmetics and skin care products segment (under the store name "Colourmix") accounted for approximately 72.6% of its total segment turnover.

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5. The implied P/E Multiple represented by the Share Offer Price is calculated based on the Share Offer Price of HK\$0.8608 divided by the trailing twelve-month basic EPS. The trailing twelve-month basic EPS is the basic earnings per Share for the year ended 31 December 2014 minus the basic EPS for the six months ended 30 June 2014 plus the basic EPS for the six months ended 30 June 2015. The basic EPS is calculated based on the consolidated net profit attributable to the Shareholders divided by the basic weighted-average Shares outstanding for the relevant year/period.
6. The implied Dividend Yield represented by the Share Offer Price is calculated based on the total dividend (including interim and final dividends), but excluding special dividend (if any), declared by the Company in the past twelve months prior to the Latest Practicable Date divided by the Share Offer Price.

We note that the Company has consistently distributed a substantial portion of its earnings in the past and is substantially debt free. Net asset value per Share attributable to the Shareholders remains below HK\$0.40 (before taking into account the revaluation surplus on properties) in recent years yet certain growth in sales and profit have been achieved. We therefore consider the P/E Multiples to be an appropriate method to value the Company.

Given the Company and some of the Comparable Companies have released interim results after the publication of the latest audited annual results, we have reviewed the P/E Multiples of the Comparable Companies as well as the P/E Multiple represented by the Share Offer Price of the latest twelve months. We consider the use of trailing twelve-month price to earnings multiples provides the Independent Shareholders and Optionholders with the most up-to-date comparative figures which is relevant to our analysis.

The P/E Multiples of the Comparable Companies range from approximately 2.3 times to approximately 26.3 times, with a simple average of approximately 11.3 times and a median of approximately 10.0 times. The implied P/E Multiple of the Company based on the Share Offer Price of HK\$0.8608 is approximately 14.3 times, representing a premium of approximately 26.5% and 43.0% over the simple average and the median of the Comparable Companies, respectively.

Moreover, as mentioned in note 3 to the table above, the P/E Multiple of Bonjour will increase if the one-off profit from the disposal of the discontinued operations (i.e. the beauty and health salons operations) is excluded. On such basis, the average and the median of the P/E Multiples of the Comparable Companies will be adjusted to approximately 12.5 times and approximately 10.9 times, respectively. The implied P/E Multiple of the Company based on the Share Offer Price of HK\$0.8608 of approximately 14.3 times remains above the adjusted average and the adjusted median of the Comparable Companies, respectively.

Separately, the Group has recorded some significant one-off items, including a gain in relation to tax refund for dividend income and royalties of approximately HK\$13.6 million during the six months ended 30 June 2015 as well as certain impairments on property, plant and equipment and other receivables of approximately HK\$22.4 million in aggregate for the year ended 31 December 2014. For this reason, we have also reviewed the P/E multiples implied by the Share Offer Price by removing these one-off items from the basic earnings per Share. In this case, we note that the P/E Multiple implied by the Share Offer Price of 14.4 times is still higher than the simple average and the median of the Comparable Companies.

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Also as illustrated in the table above, the implied Dividend Yield represented by the Share Offer Price of HK\$0.8608 is 8.26%. Such dividend yield is higher than the simple average and the median of that of the Comparable Companies of 6.57% and 6.11%, respectively. The Independent Shareholders should be aware that should they opt to accept the Share Offer, they may find it difficult to re-invest the proceeds in similar companies (i.e., the Comparable Companies) to achieve the same level of dividend income once available in the Company.

### DISCUSSION AND ANALYSIS

#### (i) History

Upon completion of the acquisition on 15 October 2009 of the 50% equity interests in Starsign by CA NB (which is ultimately owned by Carlyle Asia Partners III, L.P. (the “**Carlyle Fund**”), a private equity fund targeting leveraged buyout transactions in Asia in targeted industries), the Carlyle group became one of the substantial shareholders of the Company, sharing the control of the Company jointly with the Family Members. CA NB nominated half of the members of the Board (excluding the independent non-executive Directors), who have participated in various board committees of the Company. During the Review Period, no changes were made to the existing principal business activities of the Company since CA NB became a substantial shareholder of the Company and the Group continued to carry on the manufacture and sale of skin care, beauty and aroma-therapy products, health supplements and make-up products under the “Natural Beauty” and “NB” brands. On 16 September 2015, Acquisition Closing took place, whereby the Offeror acquired from the Vendor the other 50% in the share capital of Starsign that it did not already own for a total cash consideration of HK\$565,558,512. Upon Acquisition Closing, the Carlyle group ceased to be a substantial shareholder of the Company while the Family Members, through the Offeror and parties acting in concert with it came to hold the entire issued capital of Starsign, consolidating its control of the Company.

#### (ii) Business model

Sales of products come primarily from franchised spas, which numbered 1,094 spas as at 30 June 2015, supplemented by 4 self-owned spas and 14 self-operated concessionary counters in department stores. Franchised spas are owned by the franchisees who are responsible for the capital investment in these spas and are obliged to use only Natural Beauty products in their spas. The self-owned spas serve mainly as model outlets in strategic locations to stimulate overall sales of products to franchisees.

In the first half of 2015, as in the past, most sales were in the PRC (81.8%) and Taiwan (17.4%). At 30 June 2015, the Group had just over 600 employees, of whom approximately 500 were in the PRC and 100 in Taiwan. The Group continues enhancing its brand building and standardising the quality of service provided by the franchisees-owned spas. The Group puts significant emphasis on research and development to improve quality and develop new products. Bio-technology materials are imported from Europe, Japan and Australia and the Group retains a number of overseas consultants with relevant experience and expertise.

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### **(iii) Financial results**

This business model has delivered consistently good profits, as set out in Appendix II and discussed in section 1(b) above. It also functions with a relatively “capital light” balance sheet and high liquidity, as discussed in section 1(b)(ii) above. This has allowed, among other things, a high dividend pay-out ratio to be maintained, producing a level of dividends we consider attractive to Shareholders valuing income.

In the most recent period reported on, for the six months ended 30 June 2015, the Group had encountered what the management describes as “increasingly ferocious competition in the beauty and personal care market”. Nevertheless, the Group delivered a robust performance. Turnover increased by approximately 6.7% over the first half of 2014. The number of franchised spas in the PRC decreased from 1,058 at 30 June 2014 to 807 as at 30 June 2015 but this was more than compensated for by an increase in average sales per spa from HK\$183,000 to HK\$227,000. Net profit also increased substantially during this period. As discussed in section 1(b) above, part of the increase in profit was because of tax effects, mostly “one off” and an approximately HK\$9.0 million impairment on other receivables in first half of 2014 which did not re-occur in 2015. Nevertheless, on the basis of profits before these other expenses and tax, i.e., making adjustments for these factors, the increase in profitability was approximately 67.4%. This was mainly due to the segment profit for the PRC increasing from approximately HK\$42.5 million to approximately HK\$80.2 million, mainly due to an increase in the proportion of higher-margin products within the sales mix, combined with tight cost control.

### **(iv) Historical Share price and trading volume of the Shares**

A chart of the market price of the Shares for the Relevant Period is set out in the sub-section headed “(b) Historical price performance of the Shares” under the section headed “6. Analysis of the Share Offer Price” above. During the Relevant Period, the closing Share price had consistently traded below the Share Offer Price of HK\$0.8608. The high and low closing Share prices prior to the Last Trading Day were HK\$0.84 and HK\$0.35, respectively. The Share price rose by approximately 28.8% on the day on which trading in Shares resumed after the Joint Announcement and at the Latest Practicable Date was HK\$0.85. In our opinion, the Share price at the moment is supported by the Share Offer Price and may therefore decline, at least for the time being, on the close of the Share Offer.

As shown in the table of trading volume, market turnover in the Shares has typically not been high, so the Share Offer represents an opportunity for the Independent Shareholders, particularly those who hold a large number of Shares, to exit at a fixed price without depressing the market price.

### **(v) Continued listing**

The Offeror is committed to retaining the listing status of the Company. In the event that the public float of the Company falls below 25% following the close of the Offers, the Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.



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### **(vi) P/E Multiple**

The implied P/E Multiple of the Company at the Share Offer Price is 14.3 times which is above the simple average and median of the P/E Multiples of the Comparable Companies we have identified. This suggests that the Company is fully valued at the Share Offer Price. Even taking into account the one-off items in the earnings of the Company, the result of the price to earnings multiple comparable analysis remains the same.

### **(vii) Dividend yield**

On the other hand, owing to the consistently high dividend payout of the Company, the implied Dividend Yield of the Company represented by the Share Offer Price is 8.26%, somewhat above the average and median Dividend Yields of the Comparable Companies. This suggests that if the Independent Shareholders accept the Share Offer, they may have difficulty re-investing the proceeds in similar companies to achieve the same level of dividend income.

### **(viii) Continuity**

The Offers result from an effective increase by the Family Members of their interests in the Group. They have stated, through the Offeror, that they do not intend to introduce any materially different management policy or business direction following the close of the Offers.

## **THE OPTION OFFER**

As at the Latest Practicable Date, the Company had 79,379,622 outstanding Share Options conferring rights on the Optionholders, who are employees and senior management of the Group, to subscribe for up to an aggregate of 79,379,622 Shares at the exercise price of HK\$0.99 per Share Option. For details of the Share Options, please refer to Appendix IV to the Composite Document.

According to the terms of the Share Options, (i) Share Options are only exercisable after vesting; and (ii) if there is a change of control of the Company, vested Share Options shall become exercisable and the Board shall have full discretion on the vesting and exercise of unvested Share Options. Pursuant to the terms of the Share Options, the Board resolved at a Board meeting held on 22 September 2015 to vest all unvested Share Options, totalling 59,478,740 Shares, and all such Share Options became exercisable. Together with 19,900,882 vested Share Options which were exercisable upon Acquisition Closing, the total outstanding Share Options were 79,379,622 as at the Latest Practicable Date.

If all the outstanding Share Options are exercised in full, the Company will have to issue 79,379,622 new Shares, representing approximately 3.8% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Share Options, together with all rights attaching thereto.

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## LETTER FROM SOMERLEY CAPITAL

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In setting the terms of the Option Offer, we recognise it is a common market practice to adopt a “see-through” price (representing the difference between the Share Offer Price and any given exercise price of the convertible instrument) as the minimum offer/cancellation price for any convertible instrument in conjunction with a general offer for ordinary shares. On this basis, since the Share Offer Price of HK\$0.8608 is less than the exercise price of the outstanding Share Options of HK\$0.99, the Option Offer Price of HK\$0.001 for each outstanding Share Option is a nominal figure, and the consideration payable in total for the cancellation of all outstanding Share Options is less than HK\$80,000. Nevertheless, we consider such basis of determining the Option Offer Price acceptable and in line with market practice.

Should the Optionholders opt to accept the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety on the date on which the Option Offer is made, being the date of the Composite Document. The Optionholders should note that if they do not accept the Option Offer, under the terms of the grant of the Share Options, upon the occurrence of a change in control of the Company, the Company may, in its absolute discretion, purchase any unexercised Share Options or any Shares issued upon exercise of the Share Options at such time held by the Optionholders and the Optionholders shall sell to the Company such unexercised Share Options or Shares, at the following price:

- in the case of unexercised Share Options, the price offered by the offeror in the general offer minus the applicable subscription price; and
- in the case of Shares issued upon exercise of the Share Options, the price offered by the offeror in the general offer.

Optionholders should note that the Board resolved on 7 October 2015 to buyback any unexercised Share Options which are not tendered for acceptance under the Option Offer after the close of the Option Offer and in accordance with the terms of the grant of the Share Options (the “**Option Buyback**”). The Board also resolved on 3 November 2015 that any Share Options which have not been tendered for acceptance under Option Offer after the close of the Option Offer and remain unexercised or are not deemed to have been “exercised” (in respect of which see below) as at 6:00 p.m. on the date which is 28 days immediately after the Offers Closing Date (the “**Option Buyback Date**”), will be bought back by the Company at HK\$0.0001 per Share Option (the “**Option Buyback Price**”). For example, for an Optionholder with 1,000,000 Share Options, he/she would receive HK\$1,000 by accepting the Option Offer set on a “see-through” basis but would only receive HK\$100 if such Share Options are bought back. For the avoidance of doubt, in respect of any Share Option which has been validly exercised by way of (i) the submission of a duly completed exercise notice; and (ii) the payment in full of the relevant exercise price prior to the Option Buyback Date in accordance with the scheme rules of the Share Options, and even though no new Share has been issued by the Option Buyback Date, such Share Option will be deemed to have been “exercised” and will not be subject to the Option Buyback. The Board also resolved on 3 November 2015 that the Company will not exercise its discretion to buyback any Shares which will be issued pursuant to the

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## LETTER FROM SOMERLEY CAPITAL

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exercise of any of the Share Options prior to the Option Buyback Date. Accordingly, Optionholders who do not accept the Option Offer will still have a right to exercise his/her Share Options until the Option Buyback Date (i.e., 28 days immediately after the Offers Closing Date) (the “**Option Exercisable Period**”).

### **OPINION AND RECOMMENDATION**

#### **In respect of the Share Offer**

For the reasons set out in sub-paragraphs (i)-(viii) in the section headed “Discussion and analysis” above, and in particular

- the substantial premiums of the Share Offer Price over the historical share price as set out in the sub-section headed “(b) Historical price performance of the Shares” under the section headed “6. Analysis of the Share Offer Price” above;
- the 28.8% increase in the Share price following the Joint Announcement on the terms of the Offers which has been sustained up to the Latest Practicable Date but may not continue after the close of the Offers; and
- the P/E Multiple represented by the Share Offer Price exceeding those of the Comparable Companies (although the Dividend Yield represented by the Share Offer Price is higher);

we consider the terms of the Share Offer to be fair and reasonable and advise the Independent Board Committee to recommend, and we ourselves recommend, Independent Shareholders to accept the Share Offer. Independent Shareholders who particularly value dividend income may wish to consider retaining some or all of their Shares owing to the consistently high dividend pay-out of the Company.

Please note, however, that the Shares have been traded at or occasionally above the Share Offer Price lately. Accordingly, the Independent Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Share Offer. Independent Shareholders who are confident in the future prospects of the Group and who accordingly may wish to retain some or all of their investments in the Shares are reminded to closely monitor the development of the Group and any announcements of the Company during the Offer Period.

#### **In respect of the Option Offer**

Given our view that the Share Offer is fair and reasonable for reasons discussed above and the basis of determining the Option Offer Price is acceptable and in line with market practice as set out in the section headed “Option Offer” above, we consider the Option Offer is fair and reasonable so far as the Optionholders are concerned and we advise the Independent Board Committee to recommend, and we ourselves recommend, the Optionholders to accept the Option Offer.

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## LETTER FROM SOMERLEY CAPITAL

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Optionholders who take the view that, notwithstanding the Share price never exceeded HK\$0.84 from the beginning of 2013 to the Last Trading Day, the Share price may nevertheless exceed the exercise price of the Share Options of HK\$0.99 in the Option Exercisable Period, which will provide them an opportunity to extract a certain value during the Option Exercisable Period by exercising the outstanding Share Options and selling the underlying Shares on the market (i.e., the expected net proceeds from selling the underlying Shares on the market from exercising of the outstanding Share Options (net of relevant costs and the exercise price of HK\$0.99) is higher than the net proceeds from accepting the Option Offer or the Option Buyback), they may consider not to accept the Option Offer. In connection with this, Optionholders are advised to exercise caution in doing so and closely monitor the stock market and trading price and liquidity of the Shares during the Offer Period and continue to do so during the Option Exercisable Period. In addition, the Optionholders are reminded that there will be a time lag between the exercise of the Share Options and the receipt of the Shares due to the time required for the administrative procedures for exercising the Share Options. Accordingly, the Optionholders who wish to exercise their Share Options should be mindful of possible price fluctuations of the Shares during the aforesaid time lag.

Optionholders who intend to exercise their Share Options regardless of whether they consider to dispose of the underlying Shares in the open market should do so prior to the Option Buyback Date.

### **In general**

Independent Shareholders and the Optionholders should read carefully the procedures and timing for accepting the Share Offer and/or the Option Offer as detailed in the Composite Document, the appendices to the Composite Document and the Forms of Acceptance, if they wish to accept the respective Offers.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**M.N. Sabine**  
*Chairman*

*Mr. M.N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.*

**1. PROCEDURES FOR ACCEPTANCE****1.1 The Share Offer**

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in any event no later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror, Karl Thomson Securities and/or Karl Thomson Financial or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar on or before 4:00 p.m. on the Offers Closing Date and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) Seller's ad valorem stamp duty payable by Independent Shareholders who accept the Share Offer calculated at a rate of 0.1% of the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer will be deducted from the amount payable to those Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**1.2 The Option Offer**

- (a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) The completed **PINK** Form of Option Offer Acceptance should be forwarded, together with the relevant Share Option certificate(s) (if any) and all letter(s) of grant in respect of the Share Option(s) so tendered for acceptance, stating the number of Shares underlying the Share Option(s) in respect of which you intend to accept the Option Offer, by post or by hand, to the company secretary of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "Natural Beauty Bio-Technology Limited – Option Offer" on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the certificate(s) in respect of your Share Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of your Share Option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your Share Option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (d) If the certificate(s) in respect of your Share Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Share Options to the extent exercisable as indicated in the paragraph headed "3. Exercise of Share Options" of this Appendix below, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Offers close; and (ii) the relevant **WHITE** Form of Share Offer Acceptance must reach the Registrar on or before 4:00 p.m. on the Offers Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (e) No acknowledgement of receipt of any **PINK** Form of Option Offer Acceptance, the certificate(s) of the Share Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) No stamp duty will be deducted from the amount paid or payable to Optionholder who accepts the Option Offer.



## **2. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offers have previously been revised or extended with the consent of the Executive, the Forms of Acceptance must be received by the Registrar and the company secretary of the Company respectively by 4:00 p.m. on the Offers Closing Date in accordance with the instructions printed thereon.

If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date and the Offers will remain open for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Independent Shareholders and Optionholders, and unless previously extended or revised, shall close on the subsequent closing date. If the Offeror revises the terms of the Offers, all the Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

If the Offers Closing Date is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Offers Closing Date shall, except where the context otherwise requires, be deemed to refer to the Offers Closing Date of the Offers as so extended.

Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed “5. Right of Withdrawal” of this Appendix below and duly do so.

## **3. EXERCISE OF SHARE OPTIONS**

Any Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Offers Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the scheme rules of the Shares Option and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or Karl Thomson Securities and/or Karl Thomson Financial and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant Share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Share Options as aforesaid and in accordance with the terms and conditions of the scheme rules of the Share Options, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

Optionholders should note that the Board resolved on 7 October 2015 to buyback any unexercised Share Options which are not tendered for acceptance under the Option Offer after closing of the Offers. For details of the Option Buyback, please refer to the sub-paragraph headed “The Option Offer” under the paragraph headed “MANDATORY UNCONDITIONAL CASH OFFERS” in the “LETTER FROM THE BOARD”.

#### **4. ANNOUNCEMENTS**

By 6:00 p.m. on the Offers Closing Date (or such later time and/or date as the Executive agrees), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry of the Offers. The Offeror must post an announcement on the Stock Exchange’s website no later than 7:00 p.m. on the Offers Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or have expired.

The announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer and Share Options for which acceptance of the Option Offer have been received;
- (ii) the total number of Shares, rights over Shares and Share Options held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) the total number of Shares, rights over Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete which have been received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer) no later than 4:00 p.m. on the Offers Closing Date, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

#### **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Independent Shareholders and Optionholders or by their respective agent(s) on their respective behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.

- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “4. ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders and Optionholders who have tendered acceptances to the Offers to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders and Optionholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholders and Optionholders.

## 6. SETTLEMENT OF THE OFFERS

### 6.1 The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by it/him/her under the Share Offer will be despatched to such Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

### 6.2 The Option Offer

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) of the Share Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company no later than the latest time for acceptance, a cheque for the amount due to each accepting holder of Share Options in respect of the Share Options tendered by it/him/her under the Option Offer will be despatched to such holder of Share Options by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

## **7. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The Offers will be made available to all the Independent Shareholders and Optionholders, including the Overseas Shareholders and the Overseas Optionholders. The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

## **8. TAX IMPLICATIONS**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Karl Thomson Financial, Karl Thomson Securities and Somerley Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

## **9. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and Optionholders will be delivered by or sent to or from them, or their

designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, Karl Thomson Financial and Karl Thomson Securities and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form(s) of Acceptance form(s) part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Karl Thomson Securities, Karl Thomson Financial or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares and the Share Options in respect of which such person or persons has/have accepted the Offers.
- (f) By accepting the Offers, the Independent Shareholders or the Optionholders will sell their Shares or Share Options (as the case may be) to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of this Composite Document, including in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of this Composite Document (for the avoidance of doubt excluded the Declared Dividend paid by the Company on 14 October 2015). The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders and Overseas Optionholders with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Offers.

- (h) Any Independent Shareholders or Optionholders accepting the Share Offer or the Option Offer, respectively, will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Reference to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

**10. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders and Optionholders, those Independent Shareholders and Optionholders who hold Shares and Share Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares and Share Options, whose investments are registered in the names of nominees, to accept the Offers, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

## I. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, which is extracted from the audited and consolidated financial statements of the Group as set forth in the annual reports of the Company for each of the three years ended 31 December 2014 and the unaudited consolidated financial statements of the Group as set forth in the interim report of the Company for the six months ended 30 June 2015.

The consolidated financial statements of the Group for each of the three years ended 31 December 2014 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong and did not contain any qualifications. The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 December 2014 and for the six months ended 30 June 2015.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Unaudited For the six months ended 30 June, 2015 HK\$'000	Audited For the year ended 31 December, 2014                      2013                      2012 HK\$'000                      HK\$'000                      HK\$'000		
	Revenue	265,056	505,761	439,421
Cost of sales	(58,665)	(116,981)	(106,321)	(103,592)
Gross profit	206,391	388,780	333,100	379,846
Other income	14,030	18,449	19,930	20,641
Distribution and selling expenses	(83,874)	(172,529)	(175,605)	(189,581)
Administrative expenses	(41,195)	(89,820)	(91,141)	(45,052)
Other expenses	(828)	(28,606)	(3,232)	(10,603)
Profit before tax	94,524	116,274	83,052	155,251
Income tax expense	(16,125)	(44,794)	(24,593)	(36,143)
Profit per the period/year	78,399	71,480	58,459	119,108
Other comprehensive (expense) income:				
Remeasurement of defined benefit pension plan	–	(488)	(3,384)	–
Exchange differences arising on translation statements of foreign operations	(6,915)	(11,761)	9,774	9,094
Total comprehensive income (expense) for the period/year	71,484	59,231	64,849	128,202
Profit for the period attributable to:				
Owners of the Company	78,399	71,480	58,269	119,268
Non-controlling interests	–	–	190	(160)
	78,399	71,480	58,459	119,108
Total comprehensive income attributable to:				
Owners of the Company	71,484	59,231	64,662	128,357
Non-controlling interests	–	–	187	(155)
	71,484	59,231	64,849	128,202
Earnings per share				
Basic and diluted	HK3.92 cents	HK3.6 cents	HK2.9 cents	HK6.0 cents
Interim dividend declared	78,482	42,044	20,021	40,042
Interim dividend per share	HK3.92 cents	HK2.1 cents	HK1 cents	HK2 cents
Final dividend declared	N/A	63,827	32,634	5,606
Final dividend per share	N/A	HK3.188 cents	HK1.63 cents	HK0.28 cents

## II. AUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

*For the year ended 31 December 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Revenue	5	505,761	439,421
Cost of sales		<u>(116,981)</u>	<u>(106,321)</u>
Gross profit		388,780	333,100
Other income	7	18,449	19,930
Distribution and selling expenses		(172,529)	(175,605)
Administrative expenses		(89,820)	(91,141)
Other expenses		<u>(28,606)</u>	<u>(3,232)</u>
Profit before tax		116,274	83,052
Income tax expense	8	<u>(44,794)</u>	<u>(24,593)</u>
Profit for the year	9	71,480	58,459
<b>Other comprehensive (expense) income:</b>			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plan	23	(488)	(3,384)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		<u>(11,761)</u>	<u>9,774</u>
Total comprehensive income for the year		<u><u>59,231</u></u>	<u><u>64,849</u></u>
Profit for the year attributable to:			
Owners of the Company		71,480	58,269
Non-controlling interests		<u>–</u>	<u>190</u>
		<u><u>71,480</u></u>	<u><u>58,459</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		59,231	64,662
Non-controlling interests		<u>–</u>	<u>187</u>
		<u><u>59,231</u></u>	<u><u>64,849</u></u>
Earnings per share	<i>12</i>		
Basic and diluted		<u><u>HK3.6 cents</u></u>	<u><u>HK2.9 cents</u></u>



## Consolidated Statement of Financial Position

At 31 December 2014

	<i>NOTES</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	<i>14</i>	5,915	5,963
Property, plant and equipment	<i>15</i>	223,708	257,218
Prepaid lease payments	<i>16</i>	9,102	9,453
Goodwill	<i>17</i>	28,272	28,375
Deposit paid for acquisition of land use right		12,637	12,692
Deferred tax assets	<i>26</i>	2,009	974
		<u>281,643</u>	<u>314,675</u>
<b>Current assets</b>			
Inventories	<i>18</i>	45,036	47,047
Trade and other receivables	<i>19</i>	67,458	112,624
Prepaid lease payments	<i>16</i>	310	312
Bank balances and cash	<i>20</i>	583,283	507,409
		<u>696,087</u>	<u>667,392</u>
<b>Current liabilities</b>			
Trade and other payables	<i>21</i>	153,314	154,510
Deferred income	<i>22</i>	7,577	7,779
Taxation payable		30,311	18,544
		<u>191,202</u>	<u>180,833</u>
<b>Net current assets</b>		<u>504,885</u>	<u>486,559</u>
<b>Total assets less current liabilities</b>		<u>786,528</u>	<u>801,234</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	<i>23</i>	12,622	12,976
		<u>773,906</u>	<u>788,258</u>
<b>Capital and reserves</b>			
Share capital	<i>24</i>	200,210	200,210
Reserves		573,696	588,048
<b>Total equity</b>		<u>773,906</u>	<u>788,258</u>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Capital surplus	Share premium	Statutory reserve	Translation reserve	Share option reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	200,210	42,554	41,016	163,490	129,012	2,123	169,778	748,183	(187)	747,996
Profit for the year	-	-	-	-	-	-	58,269	58,269	190	58,459
Other comprehensive income (expense) for the year	-	-	-	-	9,777	-	(3,384)	6,393	(3)	6,390
Total comprehensive income for the year	-	-	-	-	9,777	-	54,885	64,662	187	64,849
Recognition of equity-settled share based payment	-	-	-	-	-	121	-	121	-	121
Cancellation of unvested share options	-	-	-	-	-	919	-	919	-	919
Transfer upon cancellation of share options	-	-	-	-	-	(2,483)	2,483	-	-	-
Dividends recognized as distribution (note 13)	-	-	-	-	-	-	(25,627)	(25,627)	-	(25,627)
Balance at 31 December 2013	200,210	42,554	41,016	163,490	138,789	680	201,519	788,258	-	788,258
Profit for the year	-	-	-	-	-	-	71,480	71,480	-	71,480
Other comprehensive expense for the year	-	-	-	-	(11,761)	-	(488)	(12,249)	-	(12,249)
Total comprehensive (expense) income for the year	-	-	-	-	(11,761)	-	70,992	59,231	-	59,231
Recognition of equity-settled share based payment	-	-	-	-	-	1,095	-	1,095	-	1,095
Dividends recognized as distribution (note 13)	-	-	-	-	-	-	(74,678)	(74,678)	-	(74,678)
Balance at 31 December 2014	<u>200,210</u>	<u>42,554</u>	<u>41,016</u>	<u>163,490</u>	<u>127,028</u>	<u>1,775</u>	<u>197,833</u>	<u>773,906</u>	<u>-</u>	<u>773,906</u>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	116,274	83,052
Adjustments for:		
Interest income	(13,508)	(9,337)
Depreciation of property, plant and equipment	38,544	39,226
(Gain) loss on disposal of property, plant and equipment	(231)	1,710
Release of prepaid lease payments	311	312
Increase in fair value of investment properties	(278)	(196)
Impairment of other receivables	12,511	–
Impairment of property, plant and equipment	9,895	–
Allowance for obsolete inventories	5,274	6,495
Expense of share based payment expense	1,095	1,040
Allowance on trade receivables	930	446
Operating cash flows before movements in working capital	170,817	122,748
(Increase) decrease in inventories	(3,263)	13,885
(Decrease) increase in trade and other payables	(1,196)	39,183
Decrease (increase) in trade and other receivables	31,725	(57,999)
(Decrease) increase in deferred income	(202)	1,852
Decrease in retirement benefit obligations	(842)	(79)
Cash generated from operations	197,039	119,590
Income taxes paid	(31,936)	(11,301)
NET CASH FROM OPERATING ACTIVITIES	165,103	108,289
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,525)	(22,570)
Interest received	13,508	9,337
Proceeds from disposal of property, plant and equipment	330	100
NET CASH USED IN INVESTING ACTIVITIES	(4,687)	(13,133)
NET CASH USED IN A FINANCING ACTIVITY		
Dividends paid	(74,678)	(25,627)
INCREASE IN CASH AND CASH EQUIVALENTS	85,738	69,529
CASH AND CASH EQUIVALENTS AT 1 JANUARY	507,409	432,441
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(9,864)	5,439
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	583,283	507,409
represented by bank balances and cash	583,283	507,409

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

### 1. GENERAL INFORMATION

The Company is incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 March 2002. Its parent and ultimate holding company are Standard Cosmos Limited and Starsign International Limited, respectively, and both were incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to this annual report.

The Company acts as an investment holding company. The Group is principally engaged in (a) manufacturing and sale of a range of products including skin care, beauty and aroma-therapeutic products, health supplements and make-up 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 33 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 “Investment entities”

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 “Investment entities” for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognized in the Group’s consolidated financial statements.

**Amendments to HKAS 32 “Offsetting financial assets and financial liabilities”**

The Group has applied the amendments to HKAS 32 “Offsetting financial assets and financial liabilities” for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Group’s consolidated financial statements.

**Amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets”**

The Group has applied the amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets” for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 “Fair value measurements”.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

**Amendments to HKAS 39 “Novation of derivatives and continuation of hedge accounting”**

The Group has applied the amendments to HKAS 39 “Novation of derivatives and continuation of hedge accounting” for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognized in the Group’s consolidated financial statements.

**HK(IFRIC) – INT 21 “Levies”**

The Group has applied HK(IFRIC) – INT 21 “Levies” for the first time in the current year. HK(IFRIC) – INT 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – INT 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognized in the Group’s consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective.

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>2</sup>
HKFRS 15	Revenue from contracts with customers <sup>3</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>5</sup>

Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>5</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>4</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>5</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle <sup>6</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle <sup>5</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- <sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

#### HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognized financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 32.

#### **HKFRS 15 “Revenue from contracts with customers”**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i. e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

**Amendments to HKAS 27 “Equity method in separate financial statements”**

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 “Financial instruments” (or HKAS 39 “Financial instruments: Recognition and measurement” for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 “Investments in associates and joint ventures”.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 “Consolidated financial statements” and to HKFRS 1 “First-time adoption of Hong Kong financial reporting standards”.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group’s consolidated financial statements.

**Annual improvements to HKFRSs 2010-2012 cycle**

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.



The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

#### **Annual improvements to HKFRSs 2011-2013 cycle**

The "Annual improvements to HKFRSs 2011-2013 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

#### **Annual improvements to HKFRSs 2012-2014 cycle**

The "Annual improvements to HKFRSs 2012-2014 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 "Disclosure – Offsetting financial assets and financial liabilities" issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 "Interim financial reporting".

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognized in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebate and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided. Payments that are related to services not yet rendered are deferred and shown as deferred income in the consolidated statement of financial position.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

**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 freehold land and properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories 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.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses, if any.

An item of property, plant and equipment is derecognized 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

#### **Impairment losses on tangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Leasing**

Leases are classified as finance leases 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 recognized on a straight-line basis over the term of the relevant lease.

##### ***The Group as lessee***

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### ***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognized in other comprehensive income.

### Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

### Employee benefits

#### *Retirement benefits costs*

Payments to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Labour Standards Law (as amendment) in Taiwan and the PRC municipal government retirement scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

#### ***Short-term and other long-term employee benefits***

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### **Share-based payment arrangements**

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share option 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 recognized in the share option reserve will be transferred to retained earnings.

### **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 the 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination the tax effect is included in the accounting for the business combination.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.



**Financial instruments**

Financial assets and financial liabilities are recognized 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 that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 recognized immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into loans and receivables.

***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 and 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 to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and 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 receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 respective credit period, observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the 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. (see accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

### ***Financial liabilities and equity instruments***

#### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognized at the proceeds received, net of direct issue costs.

#### *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 (including all fees and 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 liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

#### *Financial liabilities*

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

### ***Derecognition***

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received

for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Group derecognizes a financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### 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 2014, the carrying amount of goodwill is HK\$28,272,000 (2013: HK\$28,375,000). Details of the recoverable amount calculation are set out in note 17.

##### Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is HK\$50,802,000 (2013: HK\$83,680,000), net of allowance for doubtful debts of HK\$2,460,000 (2013: HK\$1,536,000).

##### Impairment of inventories

Management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and trading. Management estimates the net realisable value for such items based primarily on the latest invoice prices, sales after year end and current market conditions. As at 31 December 2014, the carrying amount of inventories is HK\$45,036,000 (2013: HK\$47,047,000) net of allowance for inventory of HK\$5,274,000 (2013: HK\$6,495,000) was recognized.

#### 5. REVENUE

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

	2014 HK\$'000	2013 HK\$'000
Sales of goods	498,580	434,220
Service income	7,181	5,201
	<u>505,761</u>	<u>439,421</u>

See note 6 for an analysis of revenue by major products and services.

## 6. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Chief Executive Officer of the Company, in order to allocate resources to the segment and to assess its performance. The Chief Executive Officer of the Company reviews internal reports which focus on geographical segments by location of customers for the purposes of resource allocation and assessment of segment performance. This is the basis upon which the Group is organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. The PRC
2. Taiwan
3. Others (Hong Kong, Malaysia and Macau)

**Segment revenues and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

*For the year ended 31 December 2014*

	PRC HK\$'000	Taiwan HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	420,337	80,639	4,785	505,761
Segment profit (loss)	105,450	19,992	(204)	125,238
Expense of share based payment				(1,095)
Unallocated corporate expenses				(21,547)
Unallocated income				13,678
Profit before tax				116,274

*For the year ended 31 December 2013*

	PRC HK\$'000	Taiwan HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	359,473	74,718	5,230	439,421
Segment profit (loss)	83,804	11,590	592	95,986
Expense of share based payment				(1,040)
Unallocated corporate expenses				(21,231)
Unallocated income				9,337
Profit before tax				83,052

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of equity-settled share based payments, central administration costs, directors' salaries and interest income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## Other segment information

	PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Segment and consolidated total <i>HK\$'000</i>
<b>2014</b>				
Amounts included in the measure of segment profit (loss):				
Depreciation of property, plant and equipment	31,081	7,414	49	38,544
Release of prepaid lease payments	311	–	–	311
Loss (gain) on disposal of property, plant and equipment	75	(324)	18	(231)
Allowance (reversal of allowance) for obsolete inventories	5,194	181	(101)	5,274
Allowance (reversal of allowance) on trade receivables	988	(58)	–	930
Impairment of property, plant and equipment	9,895	–	–	9,895
Impairment of other receivables	9,333	–	3,178	12,511

	PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Segment and consolidated total <i>HK\$'000</i>
<b>2013</b>				
Amounts included in the measure of segment profit (loss):				
Depreciation of property, plant and equipment	31,685	7,466	75	39,226
Release of prepaid lease payments	312	–	–	312
Loss (gain) on disposal of property, plant and equipment	1,736	(26)	–	1,710
Allowance for obsolete inventories	5,900	563	32	6,495
Allowance (reversal of allowance) on trade receivable	1,458	(46)	–	1,412

## Geographical information

The Group is principally engaged in (a) manufacturing and sale of a range of products including skin care, beauty and aroma-therapeutic products, health supplements and mark-up products and (b) provision of skin treatments, beauty and spa services and skin care consulting and beauty training. The analysis of the Group's revenue by type of business for the year are set out in note 5 to the consolidated financial statements.

The Group's non-current assets presented based on the geographical location of the assets as detailed below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The PRC	232,478	256,568
Taiwan	49,068	57,344
Others	97	763
	<u>281,643</u>	<u>314,675</u>

**Information about major customers**

The Group has a very wide customer base, no single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

**7. OTHER INCOME**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Interest on bank deposits	13,508	9,337
Rental income from investment properties	146	150
Rental income from other properties and equipment	2,152	3,282
Financial refunds ( <i>Note</i> )	2,134	6,965
Increase in fair value of investment properties	278	196
Gain on disposal of property, plant and equipment	231	–
	<u>18,449</u>	<u>19,930</u>

*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 from other taxes paid in the form of government grants by way of negotiation with the relevant finance bureau. However, the refunds are subject to review annually. It is therefore uncertain if these subsidiaries will continue to be eligible for such financial refunds in the future.

**8. INCOME TAX EXPENSE**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
The charge comprises:		
Taxation in PRC		
Current year	33,358	17,091
Under(over)provision in prior years	3,666	(5,447)
Withholding tax on dividends	1,442	7,303
	<u>38,466</u>	<u>18,947</u>
Taxation in Taiwan		
Current year	3,488	2,216
Underprovision in prior years	–	172
Withholding tax on dividend	1,226	–
	<u>4,714</u>	<u>2,388</u>
Taxation in Hong Kong and other jurisdictions		
Current year	2,939	3,786
Underprovision in prior years	–	20
	<u>2,939</u>	<u>3,806</u>
Deferred taxation ( <i>note 26</i> )		
Current year	(1,325)	(548)
	<u>44,794</u>	<u>24,593</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 5% and 13% on dividends declared in respect of profits earned by PRC and Taiwan subsidiaries respectively that are received by non-local resident entities. Withholding tax on dividends of approximately HK\$1,442,000 (2013: HK\$7,303,000) and HK\$1,226,000 (2013: Nil) for PRC and Taiwan were recognized.

The PRC tax bureau initiated a tax audit on the PRC tax affairs of a PRC subsidiary of the Group for the years 2012 and 2013.

The directors of the Group are of the opinion that the tax audit exercise is still at a negotiation stage and no conclusion has been reached. Based on various discussions with the PRC tax bureau, the PRC subsidiary is now collecting relevant information in order to defend the tax position. The directors opine that given the time involved in collecting such information, the PRC subsidiary might not be able to safeguard the filing position for the said years, and accordingly recognized an underprovision of tax amounting to HK\$4,478,000 and other related expenses amounting to HK\$6,222,000 (under other expenses) during the current year.

Corporate Income Tax in Taiwan is charged at 17% in both years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the 'profit before tax' per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Profit before tax	<u>116,274</u>	<u>83,052</u>
Tax at domestic rates applicable to profits of taxable entities in the countries concerned ( <i>Note</i> )	24,677	16,421
Tax effect of expenses not deductible for tax purpose	20,687	24,398
Tax effect of income not taxable for tax purpose	(11,343)	(5,981)
Tax effect of tax losses not recognized	9,578	1,201
Utilisation of tax losses previously not recognized	(5,159)	(9,898)
Under(over)provision in respect of prior years	3,666	(5,255)
Tax effect of withholding tax on dividends previously not recognized	–	442
Deferred tax liabilities on undistributed profits of PRC and Taiwan subsidiaries	<u>2,688</u>	<u>3,265</u>
Income tax expense for the year	<u>44,794</u>	<u>24,593</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.

## 9. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments ( <i>note 10</i> )	5,606	5,578
Other staff salaries and allowances	107,498	103,821
Retirement benefits scheme contributions, excluding directors:		
– defined contribution plans ( <i>note 23 (b)</i> )	16,518	17,322
– defined benefit plan ( <i>note 23 (a)</i> )	290	497
Expense of share based payment	1,095	1,040
Total staff costs	<u>131,007</u>	<u>128,258</u>
Depreciation of property, plant and equipment	38,544	39,226
Cost of inventories recognized as an expense	104,216	99,900
Release of prepaid lease payments	311	312
Auditor's remuneration	3,802	3,668
(Gain) loss on disposal of property, plant and equipment	(231)	1,710
Research and development costs	3,707	3,294
Allowance for obsolete inventories, included in cost of sales	5,274	6,495
Advertising and promotion expenses	36,797	32,066
Net exchange gain	(1,686)	(2,395)
Impairment of property, plant and equipment	9,895	–
Impairment of other receivables	12,511	–
	<u><u>131,007</u></u>	<u><u>128,258</u></u>



## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2013: twelve) directors and the chief executive were as follows:

For the year ended 31 December 2014

	Directors											Chief Executive Ms. Chang Karen Yi Fen Total 2014 HK\$'000				
	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. Patrick Thomas SIEWERT HK\$'000	Ms. NG Shieu Yéng Christina HK\$'000	Ms. FENG Jamine Junyuan HK\$'000 (Note i)	Mr. POON Yee Man Alwin HK\$'000	Mr. Gregory MICHAEL ZELUCK HK\$'000 (Note ii)	Mr. Francis GOUTEN- MACHER HK\$'000	Ms. Su-Mei THOMPSON HK\$'000		Mr. CHEN Ruey-Long HK\$'000	Mr. YANG Tze-Kaung HK\$'000	Total directors' emoluments HK\$'000	
Fees	1,000	-	1,250	1,250	-	-	-	-	240	240	240	240	240	4,460	-	4,460
Other emoluments																
Salaries and other benefits	-	358	329	329	-	-	-	-	-	-	-	-	-	1,016	5,319	6,335
Contributions to retirement benefits scheme	-	46	42	42	-	-	-	-	-	-	-	-	-	130	20	150
Equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	723	723
Total emoluments	1,000	404	1,621	1,621	-	-	-	-	240	240	240	240	240	5,606	6,062	11,668

For the year ended 31 December 2013

	Directors										Total 2013 HK\$'000		
	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. Patrick Thomas SIEWERT HK\$'000	Ms. NG Shien Yeung Christina HK\$'000	Ms. FENG Janine Junyuan HK\$'000	Mr. POON Yee Man Alwin HK\$'000	Mr. Francis GOUTEN- MACHER HK\$'000	Ms. Su-Mei THOMPSON HK\$'000		Mr. CHEN Ruey-Long HK\$'000	Mr. YANG Tze-Kaing HK\$'000
Fees	1,000	-	1,250	1,250	-	-	-	-	240	240	240	4,460	-
Other emoluments	-	-	-	-	-	-	-	-	-	-	-	976	-
Salaries and other benefits	-	344	316	316	-	-	-	-	-	-	-	4,549	4,549
Contributions to retirement benefits scheme	-	50	46	46	-	-	-	-	-	-	-	142	31
Equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	468
Total emoluments	1,000	394	1,612	1,612	-	-	-	-	240	240	240	5,578	5,048

Notes:

- (i) Ms. FENG Janine Junyuan resigned as director of the Company on 29 October 2014.
- (ii) Mr. Gregory Michael ZELUCK resigned as director of the Company on 17 May 2012 and was appointed as director of the Company on 29 October 2014.
- (iii) Executive Directors and Non-Executive Directors are entitled to a management bonus aggregately not exceeding 15% of the audited consolidated profit attributable to owners of the Company in respect of that financial year of the Group, as recommended by the Remuneration Committee.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2014.

**11. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three (2013: three) of them were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the two (2013: two) individuals were as follows:

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Salaries and other benefits	4,459	3,625
Contributions to retirement benefits scheme	9	29
	<u>4,468</u>	<u>3,654</u>

The emoluments of the two (2013: two) individuals were within the following bands:

	<b>2014</b> <b>Headcount</b>	<b>2013</b> <b>Headcount</b>
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	–	–
	<u>–</u>	<u>–</u>

**12. EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK\$71,480,000 (2013: HK\$58,269,000) and on the number of 2,002,100,932 (2013: 2,002,100,932) ordinary shares of the Company in issue during the year.

The computation of diluted earnings per share for 2014 and 2013 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price in both years.

**13. DIVIDENDS**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Dividends recognized as distribution during the year:		
Interim dividend, paid – HK\$0.021 per share for 2014 (2013: HK\$0.01 per share for 2013)	42,044	20,021
Final dividend, paid – HK\$0.0163 per share for 2013 (2013: HK\$0.0028 per share for 2012)	32,634	5,606
	<u>74,678</u>	<u>25,627</u>

A final dividend in respect of the year ended 31 December 2014 of HK\$0.03188 per share (2013: final dividend of HK\$0.0163 per share in respect of the year ended 31 December 2013), amounting to HK\$63,826,978 (2013: HK\$32,634,000) in aggregate has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 14. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>FAIR VALUE</b>	
At 1 January 2013	5,962
Exchange realignment	(195)
Increase in fair value recognized in profit or loss	196
At 31 December 2013	5,963
Exchange realignment	(326)
Increase in fair value recognized in profit or loss	278
At 31 December 2014	5,915

The fair values of the Group's investment properties at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out on those dates by Euro-Asia Real Estate Appraisers Firm, independent qualified professional valuers not connected with the Group. Euro-Asia Real Estate Appraisers Firm are members of the Institute of Valuers, and have appropriate qualifications and recent experience 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 in the similar locations and conditions.

The carrying value of investment properties shown above are situated on freehold land in Taiwan.

<b>Fair value hierarchy</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs(s)</b>	<b>Relationship of unobservable input(s) to fair value</b>
Level 3	Direct comparison method and income method	Capitalisation rate, taking into account of the capitalisation of rental income potential nature of the property, prevailing market condition	The higher the capitalisation rate, the lower the fair value
	The key inputs are:		
	(1) Capitalisation rate;		
	(2) Monthly rent;	Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of the base level	The higher the monthly rent, the higher the fair value
	(3) Price per square metre	Price per square metre, using market direct comparable and taking into account of location and other individual factors such as road frontage, size of property, etc. of the base level	The higher the price per square metre, the higher the fair value

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements 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 2013	17,693	186,215	65,294	45,726	2,970	71,288	12,527	401,713
Exchange realignment	(570)	2,228	1,019	523	(34)	835	468	4,469
Additions	-	-	2,146	684	374	7,713	11,653	22,570
Disposals	-	-	(1,529)	-	(635)	(2,007)	-	(4,171)
Transfer	-	-	54	3,583	-	1,641	(5,278)	-
At 31 December 2013	17,123	188,443	66,984	50,516	2,675	79,470	19,370	424,581
Exchange realignment	(1,107)	(681)	(1,447)	(1,915)	(107)	(1,373)	(55)	(6,685)
Additions	-	-	442	1,249	1,573	4,057	11,204	18,525
Disposals	-	-	(3,622)	(421)	(1,283)	(946)	-	(6,272)
Transfer	-	-	1,656	1,382	-	16,543	(19,581)	-
Impairment	-	-	(9,883)	-	-	(12)	-	(9,895)
Written off	-	(380)	(289)	-	-	(954)	-	(1,623)
At 31 December 2014	16,016	187,382	53,841	50,811	2,858	96,785	10,938	418,631
DEPRECIATION								
At 1 January 2013	-	55,321	12,405	17,227	2,137	41,861	-	128,951
Exchange realignment	-	726	554	20	(27)	274	-	1,547
Provided for the year	-	3,068	13,388	6,941	359	15,470	-	39,226
Eliminated on disposals	-	-	(496)	-	(404)	(1,461)	-	(2,361)
At 31 December 2013	-	59,115	25,851	24,188	2,065	56,144	-	167,363
Exchange realignment	-	(161)	(834)	(1,005)	(55)	(1,133)	-	(3,188)
Provided for the year	-	2,784	12,212	7,003	254	16,291	-	38,544
Eliminated on disposals	-	-	(3,622)	(383)	(1,275)	(893)	-	(6,173)
Written off	-	(380)	(289)	-	-	(954)	-	(1,623)
At 31 December 2014	-	61,358	33,318	29,803	989	69,455	-	194,923
CARRYING VALUES								
At 31 December 2014	16,016	126,024	20,523	21,008	1,869	27,330	10,938	223,708
At 31 December 2013	17,123	129,328	41,133	26,328	610	23,326	19,370	257,218

The carrying values of freehold land and buildings shown above are situated on:

	2014 HK\$'000	2013 HK\$'000
Land in the PRC held under medium-term land use rights	120,336	117,533
Freehold land in Taiwan	21,704	28,918
	142,040	146,451

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

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

During the year, the directors conducted a review on the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly an impairment loss of HK\$9,895,000 (2013: nil) has been recognized in respect of property, plant and equipment.

#### 16. PREPAID LEASE PAYMENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The Group's prepaid lease payments comprise leasehold land rights in the PRC under medium-term land use rights	9,412	9,765
Analysed for reporting purposes as:		
Non-current asset	9,102	9,453
Current asset	310	312
	9,412	9,765

#### 17. GOODWILL

	<i>HK\$'000</i>
<b>COST</b>	
At 1 January 2013	30,835
Exchange realignment	732
At 31 December 2013	31,567
Exchange realignment	(103)
At 31 December 2014	31,464
<b>IMPAIRMENT</b>	
At 1 January 2013, 31 December 2013 and 31 December 2014	3,192
<b>CARRYING VALUES</b>	
At 31 December 2014	28,272
At 31 December 2013	28,375

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit, namely, sale of cosmetic products in the PRC CGU. The carrying amounts of goodwill as at 31 December 2014 and 2013 are 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 cash flows over five years are extrapolated assuming no growth rate, and discount rate of 8% (2013: 8%). One 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

**18. INVENTORIES**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Raw materials	25,386	27,378
Finished goods	19,650	19,669
	<u>45,036</u>	<u>47,047</u>

**19. TRADE AND OTHER RECEIVABLES**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Trade receivables	53,262	85,216
Less: allowance for doubtful debts	(2,460)	(1,536)
	<u>50,802</u>	<u>83,680</u>
Prepayments	9,481	11,208
Other receivables	7,175	17,736
	<u>67,458</u>	<u>112,624</u>

The Group allows a credit period ranging from one to two months to its trade customers. Trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition dates are all aged within 60 days at the end of the reporting period.

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 regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

**Movement in the allowance for doubtful debts**

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Balance at the beginning of the year	1,536	1,338
Amounts recovered during the year	(229)	(446)
Allowance on receivables	1,159	644
Exchange realignment	(6)	-
	<u>2,460</u>	<u>1,536</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$2,460,000 (2013: HK\$1,536,000), which have been identified with financial difficulties. The Group does not hold any collateral over these balances.

During the year, the directors conducted an impairment assessment on prepayment and other receivables in relation to a spa-resort project and determined that an impairment loss of HK\$12,511,000 was recognized.

## 20. BANK BALANCES AND CASH

### 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. Bank balances carry interest at market rates which range from 0.01% to 3.25% per annum (2013: 0.03% to 3.08% per annum).

At 31 December 2014, the Group's bank deposits of US\$589,000 (2013: US\$1,113,000) (equivalent to approximately HK\$4,566,000 (2013: HK\$8,626,000)) was denominated in a currency other than the functional currency of the relevant group entity.

## 21. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Trade payables	18,577	21,266
Deposits from customers	43,576	58,176
Other tax payables	13,442	8,116
Accruals	62,841	54,935
Other payables	14,878	12,017
	<u>153,314</u>	<u>154,510</u>
Total trade and other payables	<u>153,314</u>	<u>154,510</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014 HK\$'000	2013 HK\$'000
Within 180 days	16,209	18,306
181 days to 365 days	89	1,087
Over 365 days	2,279	1,873
	<u>18,577</u>	<u>21,266</u>
	<u>18,577</u>	<u>21,266</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 22. DEFERRED INCOME

	2014 HK\$'000	2013 HK\$'000
Prepaid treatment fees	7,577	7,779
	<u>7,577</u>	<u>7,779</u>
	<u>7,577</u>	<u>7,779</u>

Deferred income represents the receipts via credit cards, cheques and cash from sales of beauty services to customers and recognized in profit or loss upon provision of the services to the customers.



## 23. RETIREMENT BENEFITS PLANS

## (a) Defined benefit plan

The Group's Taiwan subsidiaries participate in a central pension scheme providing benefits to certain 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 scheme, the employees are entitled to retirement benefits equal 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 2014 and 2013 was carried out by a qualified staff member of PricewaterhouseCoopers Taiwan, who is a member of The Actuarial Institute of the Republic of China. The actuarial valuation indicates that the Group's obligations under this defined benefit retirement scheme are 2% (2013: 2%) covered by the deposits paid with the Bank of Taiwan, Ltd.

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

	<b>2014</b>	<b>2013</b>
Discount rate	1.90%	1.90%
Expected return on plan assets	1.90%	1.90%
Expected rate of salary increases	3.25%	3.00%

The actuarial valuation showed that the market value of plan assets was HK\$1,254,000 (2013: HK\$1,346,000).

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

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current service cost	54	284
Interest on obligations	260	245
Expected return on plan assets	(24)	(32)
	<u>290</u>	<u>497</u>

(iii) Amounts recognized in other comprehensive income inspect of the defined benefit plans are as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Remeasurement on the net defined benefit liability:		
– Expected return on plan assets	498	(17)
– Actuarial loss arising from remeasurement	(10)	3,401
	<u>488</u>	<u>3,384</u>

- (iv) The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans are as follows:

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Present value of funded defined benefit obligations	13,874	14,322
Fair value of plan assets	<u>(1,252)</u>	<u>(1,346)</u>
Net liability arising from defined benefit obligations	<u><u>12,622</u></u>	<u><u>12,976</u></u>

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

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
At 1 January	14,322	15,610
Current service cost	184	284
Interest on obligations	260	245
Benefits paid	(603)	(1,306)
Actuarial gain (losses)	498	(17)
Exchange differences on foreign plans	<u>(787)</u>	<u>(494)</u>
At 31 December	<u><u>13,874</u></u>	<u><u>14,322</u></u>

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

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
At 1 January	1,346	2,038
Contributions from the employer	548	645
Expected return on plan assets	24	32
Benefits paid	(603)	(1,306)
Actuarial gains (losses)	11	(4)
Exchange differences on foreign plans	<u>(74)</u>	<u>(59)</u>
At 31 December	<u><u>1,252</u></u>	<u><u>1,346</u></u>
Actual return on plan assets	<u><u>10</u></u>	<u><u>5</u></u>

The directors' assessment of the expected return is based on historical return trends and analysts' predictions of the market for the assets in the next twelve months.

The major categories of plan assets, and the percentage of the fair value at the end of the reporting period for each category are as follows:

	<b>2014</b> %	<b>2013</b> %
Deposits with financial institutions	19.12	22.86
Short term bills	1.98	4.10
Stocks	12.15	8.41
Bonds	11.92	9.37
Others	<u>54.83</u>	<u>55.26</u>
	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by HK\$13,652,000 (increase by HK\$13,227,000).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by HK\$14,869,000 (decrease by HK\$15,811,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**(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 the 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\$30,000 (with effect from 1 June 2014) for the HK MPF Scheme while there is no cap to monthly income under the 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 obligations for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The total cost charged to profit or loss of HK\$16,668,000 (2013: HK\$17,495,000) represents contributions paid on payable to these schemes by the Group in respect of the current accounting period.

**24. SHARE CAPITAL**

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	4,000,000,000	400,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2014	2,002,100,932	200,210

**25. 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 “Old Scheme”) for the primary purpose of providing incentives to directors and eligible employees. Under the Old Scheme, the Company may grant options to full-time employees (including executive and 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 Old Scheme would remain valid for a period of 10 years commencing on 11 March 2002.

A new share option scheme (“New Scheme”) with terms exactly the same as the Old Scheme with different exercisable periods was approved at the Annual General Meeting (“AGM”) on 13 May 2011. Upon the approval of the New Scheme, the amended Old Scheme was terminated at the AGM on 13 May 2011.

Options granted under the New Scheme 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 New 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 total number of shares in respect of which options may be granted under the New 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. 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.

The Company may grant share options under the New Scheme 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 New 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.

As at 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 81,685,713 (2013: 61,564,600) (representing 4.1% (2013: 3.1%) of the shares of the Company in issue at that date).

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The following table discloses movements of the Company's share options granted under the New Scheme held by employees during the years ended 31 December 2013 and 2014:

Date of grant	Exercisable period	Exercise price	Outstanding at 1.1.2013	Granted during the year	Cancelled during the year	Lapsed/ forfeited during the year	Outstanding at 1.1.2014	Granted during the year	Cancelled during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2014
4 April 2012	4 April 2013 to 3 April 2021	HK\$1.90	1,521,596	-	(1,121,176)	(400,420)	-	-	-	-	-
4 April 2012	4 April 2014 to 3 April 2021	HK\$1.90	1,521,596	-	(1,121,176)	(400,420)	-	-	-	-	-
4 April 2012	4 April 2015 to 3 April 2021	HK\$1.90	1,521,596	-	(1,121,176)	(400,420)	-	-	-	-	-
19 April 2013	19 April 2022 to 18 April 2023	HK\$0.99	-	36,438,233	-	(12,913,551)	23,524,682	-	-	(9,009,454)	14,515,228
10 May 2013	10 May 2022 to 9 May 2023	HK\$0.99	-	38,039,918	-	-	38,039,918	-	-	-	38,039,918
6 May 2014	6 May 2023 to 5 May 2024	HK\$0.99	-	-	-	-	-	34,536,239	-	(13,013,655)	21,522,584
2 December 2014	2 December 2023 to 1 December 2024	HK\$0.99	-	-	-	-	-	7,607,983	-	-	7,607,983
			<u>4,564,788</u>	<u>74,478,151</u>	<u>(3,363,528)</u>	<u>(14,114,811)</u>	<u>61,564,600</u>	<u>42,144,222</u>	<u>-</u>	<u>(22,023,109)</u>	<u>81,685,713</u>
Exercisable at the end of the year											<u>Nil</u>
Weighted average exercise price			<u>HK\$1.90</u>	<u>HK\$0.99</u>	<u>HK\$1.90</u>	<u>HK\$0.99</u>	<u>HK\$0.99</u>	<u>HK\$0.99</u>	<u>HK\$0.99</u>	<u>HK\$0.99</u>	<u>HK\$0.99</u>

On 4 April 2011, the Company granted share options ("2011 Options") to certain employees to subscribe for a maximum of 90,895,381 shares and was vested over a four-year period subject to the achievement of performance targets determined by the board of directors.

On 19 April 2013, the Group cancelled 3,363,528 2011 Options and accounted for such cancellation as an acceleration of vesting and therefore recognized immediately approximately HK\$919,000 that otherwise would have been recognized for service received over the remainder of the vesting period.

Following the cancellation of the aforesaid remaining 2011 Options, an aggregate of 42,144,222 share options ("2014 Options") (2013: 74,478,151 share options ("2013 Options")) were granted to the employees and senior management of the Group during the year ended 31 December 2014. Details are set out below:

Grant date	Number of share options granted
6 May 2014	34,536,239
2 December 2014	7,607,983
	<u>42,144,222</u>

Each of the 2013 Options and 2014 Options (collectively “the Options”) will vest over 4 years commencing from the date falling on the publication of the audited financial results of the Group for the financial year 2014 (in the case of 2013 Options), year 2015 (in the case of May 2014 Options) and year 2016 (in the case of December 2014 Options) (respectively referred to as the “First Year”, as the case may be) respectively, at the rate of up to a maximum of 40% for the First Year and up to a maximum of 20% for each of the following three years, subject to (i) the achievement of the performance targets for each financial year as determined by the Board at its sole discretion, and (ii) the Option holder remaining as an Eligible Person (as defined in the share option scheme of the Company) at the time of each vesting of the Options. Also, the option holders can only exercise the 2014 Options and 2013 Options nine years after the date of granting the options provided that if the employment or service with the Company or any of the subsidiaries of the option holders is terminated with cause or the option holders resign from their employment or service without good reason (as stipulated in the share option scheme), the 2014 Options and 2013 Options granted but not yet exercised will lapse automatically. Accordingly, the vesting period for these options under accounting treatment is regarded as a nine-year period, which is from the date of grant to the beginning of the earliest exercisable date of the options.

The estimated fair values of the 2014 Options granted on 6 May 2014 and 2 December 2014 were approximately HK\$2,696,219. These fair values were calculated using the Binomial Tree Pricing Model.

The inputs into the model were as follows:

<b>Grant date</b>	<b>6.5.2014</b>	<b>2.12.2014</b>
Weighted average share price as at date of grant	HK\$0.35	HK\$0.75
Exercise price	HK\$0.99	HK\$0.99
Time to maturity	10 years	10 years
Expected volatility	39.3%	41.0%
Dividend yield	4.47%	4.35%
Risk-free interest rate	2.07%	1.73%
Fair value of share options	HK\$0.0391	HK\$0.1768

The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by historical daily volatilities of the Company’s share prices as at the valuation date.

The Group recognized approximately HK\$1,095,000 share based payment expense (2013: HK\$1,040,000) in the consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company during the current year.

## 26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current or prior years:

	<b>Allowance for bad and doubtful debts</b>	<b>Revaluation of investment properties</b>	<b>Defined benefit liability</b>	<b>Unrealised profits on inventories</b>	<b>Other short-term temporary differences</b>	<b>Undistributed earnings of PRC and overseas subsidiaries</b>	<b>Total</b>
	<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 2013	295	822	4,750	6,243	(548)	(10,878)	684
Exchange realignment	40	(26)	(160)	189	21	(322)	(258)
Credit (charge) to profit or loss	44	(33)	550	(662)	24	(3,265)	(3,342)
Earnings distributed	–	–	–	–	–	3,890	3,890
At 31 December 2013	379	763	5,140	5,770	(503)	(10,575)	974
Exchange realignment	(2)	(41)	(281)	(26)	36	24	(290)
Credit (charge) to profit or loss	248	(48)	61	1,006	78	(2,688)	(1,343)
Earnings distributed	–	–	–	–	–	2,668	2,668
At 31 December 2014	625	674	4,920	6,750	(389)	(10,571)	2,009

At the end of the reporting period, the Group has unused tax losses of approximately HK\$151,607,641 available for offset against future profits. No deferred tax asset has been recognized of such tax losses due to the unpredictability of future profit streams.

Deferred taxation has been provided in full in respect of the undistributed earnings of the Group's PRC and overseas subsidiaries arising since 1 January 2008 as the directors consider that such earnings are estimated to be distributable in the foreseeable future. Deferred tax has been provided for in respect of the temporary differences attributable to such profits amounting to approximately HK\$170,948,000 (2013: HK\$178,762,000).

## 27. OPERATING LEASES

### The Group as lessee

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

	2014 HK\$'000	2013 HK\$'000
Minimum lease payments	18,909	19,904
Contingent rental payments	17,947	17,537
	<u>36,856</u>	<u>37,441</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	12,795	13,366
In the second to fifth year inclusive	16,664	7,494
Over five years	1,380	1,927
	<u>30,839</u>	<u>22,787</u>

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.

The above lease commitments only include commitments for basic rentals, and do not include commitments for contingent rental payable, if any, when the amounts are determined by applying a percentage of turnover of the respective leases, as it is not possible to determine in advance the amount of such contingent rentals.

### The Group as lessor

#### Property

Property rental income earned during the year was HK\$2,298,000 (2013: HK\$3,423,000), net of outgoings of HK\$608,000 (2013: HK\$1,649,000) for renting office premises. All of the properties held have committed tenants for the next one to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,385	3,904
In the second year to fifth year inclusive	1,083	980
	<u>2,468</u>	<u>4,884</u>

## 28. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>1,475</u>	<u>14,926</u>

## 29. CONNECTED AND RELATED PARTY DISCLOSURES

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

### (A) Transactions

#### (i) Connected parties

Name of company	Nature of transactions	2014 HK\$'000	2013 HK\$'000
<i>Companies controlled by individuals who collectively have joint control over the Company's ultimate holding company and are also executive directors of the Company:</i>			
財團法人台北市蔡燕萍文教事業基金會	Rental income	13	16
青春再現度假育樂股份有限公司	Rental income	15	16
幸福農企業股份有限公司	Rental income	5	-
<i>Company controlled by substantial shareholder:</i>			
CA NB Limited	Consultancy fee expenses	4,416	4,416
<i>Directors of the Company:</i>			
Individuals who collectively have joint control over the Company's ultimate holding company and are also executive directors of the Company	Rental expenses	<u>7,142</u>	<u>7,303</u>



*(ii) Compensation of key management personnel*

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

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Short-term benefits	21,799	16,553
Post-employment benefits	152	217
Equity-settled share based payments	723	468
	<u>22,674</u>	<u>17,238</u>

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

**(B) Other arrangements**

- (i) On 5 October 2001, NB Taiwan entered into two separate licensing agreements with a director of the Company. Under the agreements, the director 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, which are in 2015 and 2019.
- (ii) On 10 November 2008, 12 January 2009 and 15 October 2009, Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu (collectively the “Licensors”) and the Company (the “Licensee”) entered into a license agreement and subsequent amendments at a consideration of HK\$10 for the royalty-free, fully paid-up, perpetual and non-revocable licence and privilege throughout the world to use the certain trade marks on exclusive use and non-exclusive use basis.
- (iii) On 10 November 2008 and 12 January 2009, the Company (the “Licensor”) and Dr. TSAI Yen-Yu (the “Licensee”) entered into a license agreement and subsequent amendments at a consideration of HK\$10 for a non-exclusive, royalty-free and perpetual licence (including the right to grant sub-licences) to use certain trademarks solely in relation to the operation of resorts and hotels, for education related purposes and in the field of healthcare and only in the jurisdiction in which such trademarks are registered or have been applied for. The Licensee shall offer the Company the opportunity to participate in any new investments.
- (iv) On 15 October 2009, Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng, Dr. SU Sh-Hsyu and Natural Beauty Magazine Yang Chio Ling as the assignors and the Company as the assignee entered into a trade mark assignment pursuant to which the assignors assigned certain trade marks to the assignee for a consideration of HK\$10.
- (v) On 15 October 2009, Dr. TSAI Yen-Yu as the licensor and the Company as the licensee entered into a licence agreement pursuant to which the licensor granted to the licensee a non-exclusive, royalty-free, fully paid-up, perpetual and irrevocable license and privilege throughout the world to use certain licensed trademarks only in respect of the businesses conducted by the licensee for a consideration of HK\$10.

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company is as follows:

	2014 HK\$'000	2013 HK\$'000
Assets		
Investments in subsidiaries	169,398	169,398
Amounts due from subsidiaries	252,354	317,557
Other receivables	856	3,813
Bank balances and cash	723	16,458
	<u>423,331</u>	<u>507,226</u>
Liabilities		
Other payables	2,728	2,573
Amounts due to subsidiaries	34,690	34,892
	<u>37,418</u>	<u>37,465</u>
Net assets	<u>385,913</u>	<u>469,761</u>
Capital and reserves		
Share capital	200,210	200,210
Reserves (Note)	185,703	269,551
	<u>385,913</u>	<u>469,761</u>

Note:

	Share premium HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013	41,016	2,123	228,660	271,799
Profit for the year	–	–	22,339	22,339
Recognition of equity-settled share based payment	–	121	–	121
Cancellation of unvested share options	–	919	–	919
Transfer upon cancellation of share option	–	(2,483)	2,483	–
Dividends recognized as distribution (Note 13)	–	–	(25,627)	(25,627)
At 31 December 2013	41,016	680	227,855	269,551
Loss for the year	–	–	(10,265)	(10,265)
Recognition of equity-settled share based payment	–	1,095	–	1,095
Dividends recognized as distribution (Note 13)	–	–	(74,678)	(74,678)
At 31 December 2014	<u>41,016</u>	<u>1,775</u>	<u>142,912</u>	<u>185,703</u>

**31. 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 balances. The Group's overall strategy remains unchanged from the prior year.

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

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.

**32. FINANCIAL INSTRUMENTS****32a. Categories of financial instruments**

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	641,260	608,825
<b>Financial liabilities</b>		
Amortised cost	<u>33,454</u>	<u>60,342</u>

**32b. Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, bank balances and cash and trade and other 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 is exposed to cash flow interest rate risk in relation to bank balances due to the fluctuation of the prevailing market interest rates. It is also exposed to fair value interest rate risk in relation to the short-term bank deposits. The directors of the Company consider the Group's exposure to the interest rate risk is not significant as interest bearing bank balances are within a short maturity period.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The directors of the Company will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise.

**Sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for the bank balances at the end of the reporting period. For bank balances, the analysis is prepared assuming the amount of balances at the end of the reporting date were outstanding for the whole year. 20 basis points increase and 5 basis points decrease (2013: 20 basis points increase and 5 basis points decrease) are 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 20 basis points higher/5 basis points lower (2013: 20 basis points higher/5 basis points lower) and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase by HK\$1,167,000/decrease by HK\$292,000 (2013: increase by HK\$1,015,000/decrease by HK\$254,000). 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 arise.

Management considers that the Group is not exposed to significant foreign currency risk as the majority of its transactions are either denominated in functional currency of the Group's subsidiaries or in USD. Since USD is pegged to HKD, the foreign currency risk is minimal.

*Credit risk*

As at 31 December 2014, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arisen from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position. 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 the end of the reporting period 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 good reputation.

At 31 December 2014, the ten largest trade receivable balances accounted for approximately 10% (2013: 10%) of the trade receivables and the largest trade receivables balance was approximately 3% (2013: 2%) of the Group's total trade receivables.

The Group's concentration of credit risk by geographical locations are mainly PRC excluding Hong Kong, which accounted for 92% (2013: 94%), and Taiwan, which accounted for 7% (2013: 5%) of the trade receivables as at 31 December 2014.

*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 trade and other payables falls within 30 to 90 days as at 31 December 2013 and 2014.

**32c. Fair value**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

## 33. Particulars of Subsidiaries

Details of the Company's subsidiaries at 31 December 2013 and 2014 are as follows:

Name of company	Place of incorporation and operations	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company and its subsidiaries				Attributable to the Group				Principal activity
			Directly		Indirectly		Directly		Indirectly		
			2014	2013	2014	2013	2014	2013	2014	2013	
Shanghai Natural Beauty Cosmetics Company Limited*	The PRC	US\$29,980,000	-	-	100%	100%	-	-	100%	100%	Production and sale of skin care and beauty products
Shanghai Natural Beauty Sanlian Cosmetics Company Limited	The PRC	RMB8,000,000	-	-	100%	100%	-	-	100%	100%	Wholesale and retail of skin care and beauty products; provision of beauty treatments and SAP services
Chengdu Natural Beauty Cosmetics Company Limited	The PRC	RMB2,500,000	-	-	100%	100%	-	-	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	The PRC	RMB2,500,000	-	-	-	100%	-	-	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and beauty consulting and training
上海自然美富農化粧品有限公司	The PRC	RMB500,000	-	-	-	100%	-	-	100%	100%	Wholesale and retail of skin care and beauty products
Shanghai Natural Beauty Fuli Cosmetics Company Limited* (Formerly known as Shanghai Full-Beauty Cosmetics Company Limited)	The PRC	US\$1,480,000	-	-	100%	100%	-	-	100%	100%	Production and sale of skin care and beauty products, aromatherapeutic products, provision of skin treatment, beauty and SAP service
Natural Beauty Bio-Technology Company Limited (Formerly known as Natural Beauty Cosmetics Company Limited)	Taiwan	NT\$201,000,000	-	-	100%	100%	-	-	100%	100%	Production and sale of skin care and beauty products

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

Name of company	Place of incorporation and operations	Registered capital/issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company and its subsidiaries				Attributable to the Group				Principal activity
			Directly		Indirectly		Directly		Indirectly		
			2014	2013	2014	2013	2014	2013	2014	2013	
Huei Yao Investment Company Limited	Taiwan	NT\$122,043,420	-	-	100%	100%	-	-	100%	100%	Investment holding
Ray-Sen Medical Cosmetics Company Limited	Taiwan	NT\$50,000,000	-	-	100%	100%	-	-	100%	100% (note a)	Provision of beauty consulting and training
Belem Holdings Sdn. Bhd.	Malaysia	MYR68,609,858 Class B shares MYR10,000 Class A shares	100%	100%	-	-	100%	100%	-	-	Investment holding
Billion Synergy Sdn. Bhd.	Malaysia	MYR2	-	-	100%	100%	-	-	100%	100%	Wholesale of skin care and beauty products
Great Glamour Company Limited	BVI	US\$50,000	100%	100%	-	-	100%	100%	-	-	Investment holding
Next Success International Limited	BVI	US\$100	100%	100%	-	-	100%	100%	-	-	Investment holding
Fortune Investment Global Limited	BVI	US\$50,000	100%	100%	-	-	100%	100%	-	-	Investment holding
Natural Beauty Bio-Technology (Hong Kong) Company Limited	Hong Kong	HK\$10,000	-	-	100%	100%	-	-	100%	100%	Sale of cosmetic products and provision of beauty treatments
Natural Beauty China Holding Limited	Hong Kong	HK\$200,000	100%	-	-	100%	100%	-	-	100%	Investment holding
Shanghai Natural Beauty Bio-Med Company Limited*	The PRC	US\$2,600,000	-	-	100%	100%	100%	100%	100%	100%	Manufacture and sale of health supplement
上海自然美美容休閒有限公司	The PRC	RMB6,000,000	-	-	100%	100%	100%	100%	100%	100%	Beauty consulting; wholesale and retail of skin care and beauty products

## Notes:

(a) The subsidiaries are deregistered during the year ended 31 December 2014.

\* The subsidiary is foreign investment enterprise with limited liability in the PRC.

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

## III. UNAUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full text of the unaudited interim financial statements of the Group for the six months ended 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2015:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	265,056	248,523
Cost of sales		(58,665)	(57,817)
Gross profit		206,391	190,706
Other income		14,030	9,561
Distribution and selling expenses		(83,874)	(85,462)
Administrative expenses		(41,195)	(44,168)
Other expenses		(828)	(15,823)
Profit before tax		94,524	54,814
Income tax expense	5	(16,125)	(25,101)
Profit for the period	6	78,399	29,713
<b>Other comprehensive expense:</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(6,915)	(2,215)
Total comprehensive income for the period		71,484	27,498
Profit for the period attributable to:			
Owners of the Company		78,399	29,713
Total comprehensive income attributable to:			
Owners of the Company		71,484	27,498
Earnings per share	8		
Basic and diluted		HK3.92 cents	HK1.48 cents

## Condensed Consolidated Statement of Financial Position

	<i>NOTES</i>	<b>At 30 June 2015 HK\$'000 (unaudited)</b>	<b>At 31 December 2014 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Investment properties		6,068	5,915
Property, plant and equipment	9	214,911	223,708
Prepaid lease payments		9,017	9,102
Goodwill		28,460	28,272
Deposit paid for acquisition of land use right	10	12,737	12,637
Deferred tax assets		–	2,009
		<u>271,193</u>	<u>281,643</u>
<b>Current assets</b>			
Inventories		51,034	45,036
Trade and other receivables	11	83,971	67,458
Prepaid lease payments		313	310
Bank balances and cash		648,132	583,283
		<u>783,450</u>	<u>696,087</u>
<b>Current liabilities</b>			
Trade and other payables	12	141,300	153,314
Deferred income		7,626	7,577
Taxation payable		28,323	30,311
Dividend payable	7	63,827	–
		<u>241,076</u>	<u>191,202</u>
<b>Net current assets</b>		<u>542,374</u>	<u>504,885</u>
<b>Total assets less current liabilities</b>		<u>813,567</u>	<u>786,528</u>
<b>Non-current liability</b>			
Deferred tax liabilities		4,756	–
Retirement benefit obligations		12,949	12,622
		<u>795,862</u>	<u>773,906</u>
<b>Capital and reserves</b>			
Share capital	13	200,210	200,210
Reserves		595,652	573,696
<b>Total equity</b>		<u>795,862</u>	<u>773,906</u>



## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Capital surplus HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2014 (audited)	<u>200,210</u>	<u>42,554</u>	<u>41,016</u>	<u>163,490</u>	<u>138,789</u>	<u>680</u>	<u>201,519</u>	<u>788,258</u>
Other comprehensive expense for the period	-	-	-	-	(2,215)	-	-	(2,215)
Profit for the period	-	-	-	-	-	-	29,713	29,713
Total comprehensive (expense) income for the period	-	-	-	-	(2,215)	-	29,713	27,498
Recognition of equity- settled share-based payments	-	-	-	-	-	534	-	534
Dividends recognised as distribution (note 7)	-	-	-	-	-	-	(32,634)	(32,634)
At 30 June 2014 (unaudited)	<u>200,210</u>	<u>42,554</u>	<u>41,016</u>	<u>163,490</u>	<u>136,574</u>	<u>1,214</u>	<u>198,598</u>	<u>783,656</u>
Other comprehensive expense for the period	-	-	-	-	(9,546)	-	(488)	(10,034)
Profit for the period	-	-	-	-	-	-	41,767	41,767
Total comprehensive (expense) income for the period	-	-	-	-	(9,546)	-	41,279	31,733
Recognition of equity- settled share-based payments	-	-	-	-	-	561	-	561

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Capital surplus HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	
Dividends recognised as distribution	-	-	-	-	-	-	(42,044)	(42,044)
At 31 December 2014 (audited)	<u>200,210</u>	<u>42,554</u>	<u>41,016</u>	<u>163,490</u>	<u>127,028</u>	<u>1,775</u>	<u>197,833</u>	<u>773,906</u>
Other comprehensive income for the period	-	-	-	-	6,915	-	-	6,915
Profit for the period	-	-	-	-	-	-	78,399	78,399
Total comprehensive income for the period	-	-	-	-	6,915	-	78,399	85,314
Recognition of equity- settled share based payments	-	-	-	-	-	469	-	469
Dividends recognised as distribution (note 7)	-	-	-	-	-	-	(63,827)	(63,827)
At 30 June 2015 (unaudited)	<u>200,210</u>	<u>42,554</u>	<u>41,016</u>	<u>163,490</u>	<u>133,943</u>	<u>2,244</u>	<u>212,405</u>	<u>795,862</u>

## Condensed Consolidated Statement of Cash Flows

	NOTE	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	14	71,895	115,326
Income taxes paid		<u>(12,059)</u>	<u>(18,977)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>59,836</u>	<u>96,349</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,280)	(10,376)
Interest received		<u>6,818</u>	<u>6,464</u>
NET CASH FROM INVESTING ACTIVITIES		<u>538</u>	<u>(3,912)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		60,374	92,437
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>			
		583,283	507,409
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
		<u>4,475</u>	<u>(290)</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>			
represented by bank balances and cash		<u><u>648,132</u></u>	<u><u>599,556</u></u>

Notes:

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>4</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>4</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i> <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>4</sup>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

The Directors of the Company do not anticipate that the application of the above new or revised HKFRSs will have any significant impact on the Group’s financial results and financial position.

### 3. SEGMENT INFORMATION

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

##### *Six months ended 30 June 2015*

	<b>The People's Republic of China ("PRC") HK\$'000 (unaudited)</b>	<b>Taiwan HK\$'000 (unaudited)</b>	<b>Others HK\$'000 (unaudited)</b>	<b>Total HK\$'000 (unaudited)</b>
Revenue from external customers	216,790	46,202	2,064	265,056
Segment profit	80,236	15,852	2,543	98,631
Unallocated corporate expenses				(10,925)
Unallocated income				6,818
Profit before tax				94,524

##### *Six months ended 30 June 2014*

Revenue from external customers	201,841	44,354	2,328	248,523
Segment profit	42,535	13,091	917	56,543
Unallocated corporate expenses				(8,193)
Unallocated income				6,464
Profit before tax				54,814

Segment profit represents the profit earned by each segment without allocation of equity-settled share based payments, central administration costs and Directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Unallocated income mainly includes interest income.

### 4. REVENUE

Revenue represents the net amount received and receivable for (i) goods sold by the Group to outside customers which is stated net of sales returns and allowances and (ii) service income from provision of skin treatments, beauty and SPA services for the period, and is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2015 HK\$'000 (unaudited)</b>	<b>2014 HK\$'000 (unaudited)</b>
Sales of goods	262,087	245,335
Service income	2,969	3,188
	265,056	248,523

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
The charge comprises:		
Taxation in PRC		
Current period	19,620	15,957
(Over) under provision in prior years	(2,188)	5,008
	17,432	20,965
Taxation in Taiwan and other jurisdictions		
Current period	5,219	3,202
Overprovision in prior years	(1,936)	–
Withholding tax on dividend	2,120	1,226
Tax refund of changing tax rate	(13,641)	–
	(8,238)	4,428
Deferred taxation		
Current period	6,931	(292)
	16,125	25,101

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The statutory withholding tax rate for non-PRC resident is 10%. As the Company has obtained tax benefit approval from the in-charge tax bureau in 2014, which stipulate that the withholding tax rate for Natural Beauty China Holding Limited could be reduced to 5% for the dividend income from July 2011 to June 2017 and 7% for royalty fee from January 2012 to December 2014. Thus, the tax authority returned the prior years' over-paid taxes accordingly.

The decrease in current period taxation in the Taiwan and other jurisdictions is because in March 2015, Natural Beauty China Holding Limited received the tax refund for dividend income and royalties amounted to approximately RMB10,785,000 (equivalent to approximately HK\$13,641,000).

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 5% and 13% on dividends declared in respect of profits earned by PRC and Taiwan subsidiaries respectively that are received by non-local resident entities. Withholding tax on dividends of approximately HK\$2,120,000 (2014: HK\$1,226,000) for Taiwan were recognised.

The PRC tax bureau initiated a tax audit on the PRC tax affairs of a PRC subsidiary of the Group for the years 2012 and 2013.

The Directors of the Group are of the opinion that the tax audit exercise is still at a negotiation stage and no conclusion has been reached. Based on various discussions with the PRC tax bureau, the PRC subsidiary is now collecting relevant information in order to defend the tax position. The Directors opine that given the time involved in collecting such information, the PRC subsidiary might not be able to safeguard the filing position for the said years, and accordingly recognised an underprovision of tax amounting to HK\$6,639,000 during the six months ended 30 June 2014.

Corporate Income Tax in Taiwan is charged at 17% in both periods.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

**6. PROFIT FOR THE PERIOD**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	18,025	19,514
Release of prepaid lease payments	156	149
Total staff cost including share based payment expenses	63,650	66,437
Loss on disposal of property, plant and equipment	15	65
Allowance for trade receivables	1,911	161
Allowance for other receivables	–	8,963
Allowance for obsolete inventories, included in cost of sales	2,265	2,591
Net exchange (gain) loss	(1,501)	2,018
Interest income on bank deposits	(6,818)	(6,464)
	<u>          </u>	<u>          </u>

**7. DIVIDENDS**

At the annual general meeting of the Company held on 22 May 2015, a final dividend of HK\$0.03188 per share in respect of the year ended 31 December 2014 (2014: HK\$0.0163 per share in respect of the year ended 31 December 2013) was declared to be payable to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$63,827,000 and is recognised as dividend payable as of 30 June 2015 (2014: HK\$32,634,000 was declared and paid in the interim period).

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HK\$0.0392 per share (2014: HK\$0.021 per share) will be paid to the owners of the Company whose names appear on the Register of Members of the Company on 15 September 2015.

**8. EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK\$78,399,000 for the six months ended 30 June 2015 (2014: HK\$29,713,000) and on the number of 2,002,100,932 (2014: 2,002,100,932) ordinary shares of the Company in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for both six months ended 30 June 2015 and 2014.

**9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$6,280,000 (2014: HK\$10,376,000) for business expansion.

**10. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHT**

The amount represented deposit paid in connection with the acquisition of land use right in Shanghai. The acquisition of such land use right is still in progress.

**11. TRADE AND OTHER RECEIVABLES**

The Group allows a credit period ranging from one to two months to its trade customers.

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition dates, at the end of the reporting period.

	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables:		
Within 180 days	65,824	50,738
181 days to 365 days	–	–
Over 365 days	45	64
	<u>          </u>	<u>          </u>
Prepayments	6,489	9,481
Other receivables	11,613	7,175
	<u>          </u>	<u>          </u>
	<u>83,971</u>	<u>67,458</u>

**12. TRADE AND OTHER PAYABLES**

The following is an analysis of trade payables by age, presented based on the invoice date at the end of the reporting period.

	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade payables:		
Within 180 days	19,396	16,209
181 days to 365 days	–	89
Over 365 days	1,854	2,279
	<u>          </u>	<u>          </u>
Deposits from customers	21,250	18,577
Other tax payables	42,679	43,576
Accruals	10,183	13,442
Other payables	50,938	62,841
	<u>          </u>	<u>          </u>
	<u>141,300</u>	<u>153,314</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.



## 13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each Authorised: At 1 January 2014, 31 December 2014 and 30 June 2015	4,000,000,000	400,000
Issued and fully paid: At 1 January 2014, 31 December 2014 and 30 June 2015	2,002,100,932	200,210

## 14. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit before working capital changes to cash generated from operations.

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Operating profit before working capital changes	110,547	80,329
Increase in inventories	(8,263)	(259)
(Increase) decrease in trade and other receivables	(18,424)	20,209
(Decrease) increase in trade and other payables and deferred income	(11,965)	15,047
Cash generated from operations	71,895	115,326

## 15. CAPITAL COMMITMENTS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	2,258	1,475

## 16. SHARE-BASED PAYMENTS

The Company has a share option scheme for the Chief Executive of the Company and eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2015	81,685,713
Granted during the period	3,500,000
Lapsed/Forfeited during the period	(5,806,091)
Outstanding at 30 June 2015	79,379,622

During the year ended 31 December 2014, an aggregate of 42,144,222 share options ("2014 Options") were granted to the employees and senior management of the Group.

Details are set out below:

<b>Grant Date</b>	<b>Number of share options granted</b>
6 May 2014	34,536,239
2 December 2014	7,607,983
	42,144,222

For share options granted during the year ended 31 December 2014, the granted share options will vest over four years commencing from the date falling on the publication of the audited financial results of the Group for the financial year 2015 (in the case of May 2014 Options) and year 2016 (in the case of December 2014 Options) (respectively referred to as the “First Year”, as the case may be) respectively, at the rate of up to a maximum of 40% for the First Year and up to a maximum of 20% for each of the following three years, subject to (i) the achievement of the performance targets for each financial year as determined by the Board of Directors at its sole discretion, and (ii) the Option holder remaining as an Eligible Person (as defined in the share option scheme of the Company) at the time of each vesting of the Options. Also, the option holders can only exercise the 2014 Options nine years after the date of granting the options provided that if the employment or service with the Company or any of the subsidiaries of the option holders is terminated with cause or the option holders resign from their employment or service without good reason (as stipulated in the share option scheme), the 2014 Options granted but not yet exercised will lapse automatically. Accordingly, the vesting period for these options under accounting treatment is regarded as a nine-year period, which is from the date of grant to the beginning of the earliest exercisable date of the options.

The estimated fair values of the 2014 Options granted on 6 May 2014 and 2 December 2014 were approximately HK\$2,696,219. These fair values were calculated using the Binomial Tree Pricing Model. On 31 March 2015, the Company granted share options (“2015 Options”) to certain employees to subscribe for a maximum of 3,500,000 shares and was vested over a nine-year period subject to the achievement of performance targets determined by the Board of Directors. The estimated fair value of the 2015 Options was approximately HK\$404,950. The fair value was calculated using the Binomial Tree Pricing Model.

The inputs into the model were as follows:

<b>Grant date</b>	<b>06.05.2014</b>	<b>02.12.2014</b>	<b>31.03.2015</b>
Weighted average share price as at date of grant	HK\$0.35	HK\$0.75	HK\$0.65
Exercise price	HK\$0.99	HK\$0.99	HK\$0.99
Time to maturity	10 years	10 years	10 years
Expected volatility	39.25%	40.98%	41.69%
Dividend yield	4.47%	4.35%	5.49%
Risk-free interest rate	2.07%	1.73%	1.42%
Fair value of share options	HK\$0.0391	HK\$0.1769	HK\$0.1157

The variables and assumptions used in computing the fair value of the share options are based on the Directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by historical daily volatilities of the Company’s share prices as at the valuation date.

The Group recognised approximately HK\$469,000 (six months ended 30 June 2014: HK\$534,000) as an expense in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company during the current interim period.

## 17. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had significant transactions with related parties, which are also deemed to be connected parties pursuant to the Hong Kong Listing Rules. The significant transactions with these parties during the period are as follows:

Name of company	Nature of transactions	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<i>Companies controlled by individuals who collectively have joint control over the Company's ultimate holding company and are also executive Directors of the Company:</i>			
財團法人台北市蔡燕萍文教事業基金會	Rental income	–	8
青春再現度假育樂股份有限公司	Rental income	7	8
幸福農企業股份有限公司	Rental income	7	–
<i>Company controlled by substantial shareholder:</i>			
CA NB Limited	Consultancy fee expenses	2,208	2,208
<i>Directors of the Company:</i>			
Individuals who collectively have joint control over the Company's ultimate holding company and are also executive Directors of the Company	Rental expenses	3,469	3,583

## IV. INDEBTEDNESS STATEMENT

As at the close of business on 26 September 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**V. MATERIAL CHANGE**

Save for (i) the profit attributable to the Shareholders for the six months ended 30 June 2015 having improved to approximately HK\$78.4 million (which included a one-off tax refund of approximately HK\$13.6 million), as compared to the profit of approximately HK\$29.7 million for the corresponding period in 2014 (which included an impairment charge on other receivables of approximately HK\$9.0 million), where such improvement was mainly driven by the one-off tax refund and the absence of impairment charge for the six months ended 30 June 2015 as compared to the corresponding period in 2014; and (ii) the cash payment of an aggregate amount of approximately RMB38.2 million in October and November 2015 as the land premium for the land located in Fengxian District, Shanghai, the PRC (agreed to be acquired by the Group in June 2012 for building of an industrial facility dedicated to the manufacturing of skin care products in the ordinary and usual course of business of the Group) that gave rise to a capital commitment of the Group of the same amount (which was not capable of being ascertained as at 31 December 2014) and resulting in a reduction of the same amount for the net current asset in the consolidated balance sheet of the Company, there has been no material change in the Group's financial or trading position or outlook since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up to the Latest Practicable Date.

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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the properties held by the Group in the PRC and Taiwan as at 31 October 2015.



16/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

27 November 2015

The Board of Directors  
Natural Beauty Bio-Technology Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

Dear Sirs,

### **Instructions, Purpose & Valuation Date**

In accordance with the instructions of Natural Beauty Bio-Technology Limited (the "Company") for us to carry out the valuation of the market values of the properties (the "Properties", or individually the "Property") held by the Company and its subsidiaries (together the "Group") in the People's Republic of China (the "PRC") and Republic of China ("Taiwan"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 31 October 2015 (the "valuation date").

### **Definition of Market Value**

Our valuations of each of the Properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

### **Valuation Basis and Assumption**

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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In the course of our valuations of the Properties situated in the PRC and Taiwan, we have assumed that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group, the PRC legal opinion of the legal adviser, Jia Hua Law Firm (上海市嘉華律師事務所) dated 30 October 2015, and the Taiwan legal opinion of the legal adviser, 禾翰法律事務所 dated 3 November 2015, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the owners have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

According to financial information of the Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are the PRC business tax (approximately 5% of the sales consideration) and the PRC land appreciation tax (approximately 30%-60% of the appreciation amount); the potential tax liability which would arise on the disposal of the Properties in Taiwan are Taiwan business tax (approximately 5% of the sales consideration for buildings) and Taiwan land appreciation tax (approximately 20%-40% of the appreciation amount). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

The precise tax implication will be subject to prevailing rules and regulation at the time of disposal. The Properties are mainly held by the Group for owner-occupation purpose, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

### Methods of Valuation

In valuing Properties No. 1 and No. 4 in Group I, which are held by the Group for owner-occupation in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also valued the Properties by Investment Approach by capitalizing the rental derived from the existing tenancies with due provision for the reversionary rental potential of the Properties. In valuing Properties No. 2 and No. 3 of Group I, which are held by the Group for owner-occupation in the PRC, in the absence of relevant market data to arrive at the market values of the Properties by means of market-based evidence, we have valued the Properties by Depreciated Replacement Cost Approach which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. In valuing the Property in Group II, which is held by the Group for future development in the PRC, we have adopted the Direct Comparison Approach by making

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## **APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP**

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reference to comparable sales evidence as available in the relevant market. In valuing the Properties in Group III and IV, which are held by the Group for owner-occupation and investment respectively in Taiwan, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also valued the Properties by Investment Approach by capitalizing the rental derived from the existing tenancies with due provision for the reversionary rental potential of the Properties.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

### **Source of Information**

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC and Taiwan legal adviser as to the PRC and Taiwan laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of buildings, construction cost, particulars of occupancy, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### **Title Investigation**

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

### **Site Inspection**

Our DTZ Shanghai Office valuers, Rick Sun and Kelly Song, Guangzhou Office valuer, Victor Li, Taiwan Office valuer, David Chen, have inspected the exterior and, wherever possible, the interior of the Properties in October 2015 respectively. However, no structural

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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

### Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi (“RMB”) or in New Taiwan Dollars (NT\$), the official currency of the PRC and Taiwan, in relation to the Properties in the PRC and Taiwan respectively.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Philip C Y Tsang**  
*Registered Professional Surveyor (GP)*  
*Registered China Real Estate Appraiser*  
*MSc, MHKIS*  
*Director*

*Note:* Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 22 years’ experience in the valuation of properties in the PRC and over 8 years of experience in the valuation of properties in Taiwan.



## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

### SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 31 October 2015	The Group's attributable interest	Market Value in existing state as at 31 October 2015 attributable to the Group
<b>Group I – Properties held for owner occupation in the PRC</b>			
1. Natural Beauty Building, No. 958 Changping Road & No. 399 Yanping Road, Jing'an District, Shanghai, the PRC	RMB227,000,000	100%	RMB227,000,000
2. No. 471 Beimen Road, Chengqiao Town, Chongming County, Shanghai, the PRC	RMB5,900,000	100%	RMB5,900,000
3. No. 577 Sanshahong Road, Chengqiao Town, Chongming County, Shanghai, the PRC	RMB32,100,000	100%	RMB32,100,000
4. Unit 501, 6 of No. 45 Tianhe Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB16,700,000	100%	RMB16,700,000
<b>Total:</b>	<u>RMB281,700,000</u>		<u>RMB281,700,000</u>
<b>Group II – Property held for future development in PRC</b>			
5. A piece of land located at the intersection of Haijiao Road and Haituo Road, Fengxian District, Shanghai, the PRC	RMB38,500,000	100%	RMB38,500,000
<b>Group III – Property held for owner occupation in Taiwan</b>			
6. 8 parking lots and Building 8, No. 248-254 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	NT\$283,000,000	100%	NT\$283,000,000
<b>Group IV – Property held for investment in Taiwan</b>			
7. 3 parking lots on Basement Level 3 and Unit 1, 2, 3 & 5 on Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	NT\$28,700,000	100%	NT\$28,700,000

**VALUATION CERTIFICATE**

**Group I – Properties held for owner occupation in the PRC**

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>															
1. Natural Beauty Building, No. 958 Changping Road & No. 399 Yanping Road, Jing'an District, Shanghai, the PRC	<p>The Property comprises a 17-storey office building with 1-storey basement erected on a parcel of land with a total site area of approximately 1,633 sq m, which was completed in 2000.</p> <p>According to the information provided by the Group, the Property comprises a total gross floor area of approximately 9,995.98 sq m, with details as follows:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><b>Level</b></th> <th style="text-align: left;"><b>Usage</b></th> <th style="text-align: right;"><b>Gross Floor Area (sq m)</b></th> </tr> </thead> <tbody> <tr> <td>B1</td> <td>Car Park</td> <td style="text-align: right;">573.69</td> </tr> <tr> <td>L1-2</td> <td>Retail</td> <td style="text-align: right;">1,086.31</td> </tr> <tr> <td>L3-17</td> <td>Office</td> <td style="text-align: right;"><u>8,335.98</u></td> </tr> <tr> <td><b>Total:</b></td> <td></td> <td style="text-align: right;"><u><u>9,995.98</u></u></td> </tr> </tbody> </table> <p>The Property is located in Jing'an District which lies in the northwest of the downtown area of Shanghai. The area is the commercial and cultural centre of Shanghai with residential and commercial developments nearby.</p> <p>The Property is for office and retail use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p> <p>The land use rights of the Property has been granted for a land use term from 17 June 2001 to 17 April 2051 for composite use.</p>	<b>Level</b>	<b>Usage</b>	<b>Gross Floor Area (sq m)</b>	B1	Car Park	573.69	L1-2	Retail	1,086.31	L3-17	Office	<u>8,335.98</u>	<b>Total:</b>		<u><u>9,995.98</u></u>	<p>According to the information provided by the Group, as at the valuation date, 5,636 sq m of the office portion and 777.37 sq m of the retail portion of the Property, were subject to various tenancy agreements for various terms with the latest tenancy due to expire on 14 January 2020 at a total monthly rent of approximately RMB547,000 exclusive of management fee. 974.45 sq m was vacant and the remaining portion of the Property was owner-occupied for office use.</p>	RMB227,000,000
<b>Level</b>	<b>Usage</b>	<b>Gross Floor Area (sq m)</b>																
B1	Car Park	573.69																
L1-2	Retail	1,086.31																
L3-17	Office	<u>8,335.98</u>																
<b>Total:</b>		<u><u>9,995.98</u></u>																

## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

*Notes:*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2012) 001542 issued by Shanghai Housing Security and Administration Bureau and Shanghai Planning, Land and Resources Administration Bureau dated on 9 July 2012, with salient contents as follows:–

Owner : Shanghai Natural Beauty Cosmetics Company Limited, a 100.00% interest subsidiary of the Company.  
(上海自然美化妝品有限公司)

Location : No. 399 Yanping Road, No. 958 Changping Road

Total Site Area : 1,633 sq m

Land Usage : Composite use

Land Use Term : Commencing from 17 June 2001 and expiring on 17 April 2051

Excursus	Unit	Gross Floor Area (sq m)	Usage
	L10	533.91	Office
	L11	533.91	Office
	L12	533.91	Office
	L13	533.91	Office
	L14	533.91	Office
	L15	533.91	Office
	L16	533.91	Office
	L17	530.88	Office
	L1	478.94	Commercial
	L2	607.37	Commercial
	L3	638.31	Office
	L4	638.31	Office
	L5	594.69	Office
	L6	594.69	Office
	L7	533.91	Office
	L8	533.91	Office
	L9	533.91	Office
	Carpark Spaces	492.03	Specific Use
	Carpark Spaces	81.66	Specific Use
	Total	9,995.98	

- (2) According to Business Licence No. 310000400027614, Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妝品有限公司) was established as a limited liability company on 23 November 1992 with a registered capital of US\$29,980,000 for a valid operation period from 23 November 1992 to 22 November 2042.

- (3) According to the PRC legal opinion:

- (i) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妝品有限公司) has obtained the business licence and is legally established; and
- (ii) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妝品有限公司) has obtained the Shanghai Certificate of Real Estate Ownership and has the rights to occupy, use and dispose of the Property.

- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

**VALUATION CERTIFICATE**

**Group I – Properties held for owner occupation in the PRC**

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>																				
2.	No. 471 Beimen Road, Chengqiao Town, Chongming County, Shanghai, the PRC	<p>The Property comprises a factory erected on a parcel of land which is designated for industrial use, with a total site area of approximately 4,666 sq m.</p> <p>According to the information provided by the Group, the Property comprises a gross floor area of approximately 4,411.52 sq m, with details as follows:</p> <table border="0" style="margin-left: 40px; width: 60%;"> <thead> <tr> <th style="text-align: left;"><b>Building</b></th> <th style="text-align: right;"><b>Gross Floor Area (sq m)</b></th> </tr> </thead> <tbody> <tr><td>471-1</td><td style="text-align: right;">127.00</td></tr> <tr><td>471-2</td><td style="text-align: right;">36.00</td></tr> <tr><td>471-3</td><td style="text-align: right;">85.00</td></tr> <tr><td>471-4</td><td style="text-align: right;">2,573.00</td></tr> <tr><td>471-5</td><td style="text-align: right;">25.00</td></tr> <tr><td>471-6</td><td style="text-align: right;">619.46</td></tr> <tr><td>471-7</td><td style="text-align: right;">946.06</td></tr> <tr><td colspan="2" style="border-top: 1px solid black;"></td></tr> <tr><td><b>Total:</b></td><td style="text-align: right;"><u><u>4,411.52</u></u></td></tr> </tbody> </table>	<b>Building</b>	<b>Gross Floor Area (sq m)</b>	471-1	127.00	471-2	36.00	471-3	85.00	471-4	2,573.00	471-5	25.00	471-6	619.46	471-7	946.06			<b>Total:</b>	<u><u>4,411.52</u></u>	<p>According to the information provided by the Group, the Property was owner-occupied as at the valuation date.</p>	RMB5,900,000
<b>Building</b>	<b>Gross Floor Area (sq m)</b>																							
471-1	127.00																							
471-2	36.00																							
471-3	85.00																							
471-4	2,573.00																							
471-5	25.00																							
471-6	619.46																							
471-7	946.06																							
<b>Total:</b>	<u><u>4,411.52</u></u>																							
		<p>The Property is located in Chengqiao Town, which lies in the middle of Chongming County of Shanghai. Developments nearby are mainly residential and public facilities.</p> <p>According to the Group, the Property is for industrial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p> <p>The land use rights of the Property has been granted for a land use term from 7 January 2008 to 21 February 2052 for industrial use.</p>																						

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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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*Notes:*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2012) 001821 issued by Shanghai Housing Security and Administration Bureau and Shanghai Planning, Land and Resources Administration Bureau on 5 April 2012, the land use rights of the Property with a site area of 4,666 sq m has been granted for a land use term from 7 January 2008 to 21 February 2052 for industrial use and the building ownership of the Property comprising a total gross floor area of 4,411.52 sq m have been vested in Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司), a 100.00% interest subsidiary of the Company.
- (2) According to Business Licence No. 310000400027614, Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) was established as a limited liability company with a registered capital of US\$29,980,000 for a valid operation period from 23 November 1992 to 22 November 2042.
- (3) According to the PRC legal opinion:
  - (i) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has obtained the business licence and is legally established; and
  - (ii) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has obtained the Shanghai Certificate of Real Estate Ownership and has the rights to occupy, use and dispose of the Property.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

**VALUATION CERTIFICATE**

**Group I – Properties held for owner occupation in the PRC**

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>																														
3. No. 577 Sanshahong Road, Chengqiao Town, Chongming County, Shanghai, the PRC	<p>The Property comprises a factory erected on a parcel of land which is designated for industrial use, with a total site area of approximately 40,625.10 sq m.</p> <p>According to the information provided by the Group, the Property comprises a gross floor area of approximately 9,928.09 sq m, with details as follows:</p> <table border="0"> <thead> <tr> <th align="left"><b>Building</b></th> <th align="right"><b>Gross Floor Area (sq m)</b></th> </tr> </thead> <tbody> <tr><td>577-1</td><td align="right">688.64</td></tr> <tr><td>577-10</td><td align="right">69.62</td></tr> <tr><td>577-2</td><td align="right">1,287.04</td></tr> <tr><td>577-3</td><td align="right">2,186.32</td></tr> <tr><td>577-4</td><td align="right">13.79</td></tr> <tr><td>577-5</td><td align="right">955.39</td></tr> <tr><td>577-6</td><td align="right">364.33</td></tr> <tr><td>577-7</td><td align="right">174.93</td></tr> <tr><td>577-8</td><td align="right">28.90</td></tr> <tr><td>577-9</td><td align="right">323.86</td></tr> <tr><td>Warehouse</td><td align="right">2,871.53</td></tr> <tr><td>Storage Room</td><td align="right">626.49</td></tr> <tr><td>Facility Building</td><td align="right">337.25</td></tr> <tr><td><b>Total:</b></td><td align="right"><b>9,928.09</b></td></tr> </tbody> </table>	<b>Building</b>	<b>Gross Floor Area (sq m)</b>	577-1	688.64	577-10	69.62	577-2	1,287.04	577-3	2,186.32	577-4	13.79	577-5	955.39	577-6	364.33	577-7	174.93	577-8	28.90	577-9	323.86	Warehouse	2,871.53	Storage Room	626.49	Facility Building	337.25	<b>Total:</b>	<b>9,928.09</b>	<p>According to the information provided by the Group, portion of the Property with a total gross floor area of approximately 1,287.04 sq m was subject to a tenancy due to expire on 14 October 2017 at a total monthly rent of RMB10,000.</p> <p>The remaining portion of the Property is owner-occupied as at the valuation date.</p>	<p>RMB32,100,000</p> <p><i>(Please see Note (3))</i></p>
<b>Building</b>	<b>Gross Floor Area (sq m)</b>																																
577-1	688.64																																
577-10	69.62																																
577-2	1,287.04																																
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577-9	323.86																																
Warehouse	2,871.53																																
Storage Room	626.49																																
Facility Building	337.25																																
<b>Total:</b>	<b>9,928.09</b>																																

The Property is located in Chengqiao Town, which lies in the middle of Chongming County of Shanghai. The area is within the Chongming Industrial Park and developments nearby are mainly industrial development.

According to the information provided by the Group, the Property is for industrial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.

The land use rights of the Property has been granted for a land use term from 26 September 2007 to 22 August 2051 for industrial use.

## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

### Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2012) 001822 issued by Shanghai Housing Security and Administration Bureau and Shanghai Planning, Land and Resources Administration Bureau on 5 April 2012, the land use rights of the Property with a site area of 40,625.10 sq m for a land use term from 26 September 2007 to 22 August 2051 for industrial use and the building ownership of the Property comprising a total gross floor area of 6,092.82 sq m have been vested in Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司), a 100.00% interest subsidiary of the Company.
- (2) According to Planning Permit for Construction Works No. (2009) FA31023020091340 issued by Chongming County Planning and Land Resources Administrative Bureau dated 19 June 2009, the construction works of 3,835.27 sq m is in compliance with urban planning requirements.
- (3) According to Permit for Commencement of Construction Works No. 310230200903271109 issued by Chongming County Urban-Rural Construction Bureau dated 23 October 2009, the construction works of 2,871.53 sq m was in compliance with the requirement of works commencement and was permitted to be developed.

*Note: The storage room and facility building, with a total gross floor area of 963.74 sq m, have not been obtained the Permit for Commencement of Construction Works, we have assigned no commercial value to the two buildings.*

- (4) According to Business Licence No. 310000400027614, Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) was established as a limited liability company with a registered capital of US\$29,980,000 for a valid operation period from 23 November 1992 to 22 November 2042.
- (5) According to the PRC legal opinion:
  - (i) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has obtained the business licence and is legally established; and
  - (ii) Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has obtained the Shanghai Certificate of Real Estate Ownership with a gross floor area of 6,092.82 sq m and has the rights to occupy, use and dispose of the 6,092.82 sq m of the Property. Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has obtained the Planning Permit for Construction Works and Permit for Commencement of Construction Works for the warehouse with a gross floor area of 2,871.53 sq m; Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) would obtain the legal ownership of the 2,871.53 sq m building by applying for the Shanghai Certificate of Real Estate Ownership; Shanghai Natural Beauty Cosmetics Company Limited (上海自然美化妆品有限公司) has no legal ownership of the storage room and facility building with a gross floor area of 963.74 sq m.

- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	Yes (Part)
Planning Permit for Construction Works	Yes (Part)
Permit for Commencement of Construction Works	Yes (Part)
Business Licence	Yes

**VALUATION CERTIFICATE****Group I – Properties held for owner occupation in the PRC**

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>
4. Unit 501, 6 of No. 45 Tianhe Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The Property comprises an office unit with a total gross floor area of 964.85 sq m of an office building. The office building is a 29-storey property erected on a parcel of land with a total site area of approximately 2,823.22 sq m.</p> <p>The Property is located in Yuexiu District, which lies in the downtown area of Guangzhou. The area is the commercial, political and cultural centre of Guangzhou with residential and commercial developments nearby.</p> <p>According to the information provided by the Group, the Property is for office use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p> <p>The land use rights of the Property has been granted for a term of 50 years for office use from 16 October 2003.</p>	The Property is owner-occupied as at the valuation date.	RMB16,700,000



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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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*Notes:*

- (1) According to Guangdong Province Real Estate Ownership Certificate No. 0150128783 issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau on 11 April 2012, the land use rights the Property with a shared site area of 2,823.22 sq m for a land use term of 50 years from 16 October 2003 for office use and the building ownership of the Property comprising a total gross floor area of 964.85 sq m have been vested in Shanghai Natural Beauty Sanlian Cosmetics Company Limited Guangzhou Branch (上海自然美三聯化妝品有限公司廣州分公司), a 100.00% interest subsidiary of the Company.
- (2) According to Business Licence No. 440104000047178, Shanghai Natural Beauty Sanlian Cosmetics Company Limited Guangzhou Branch (上海自然美三聯化妝品有限公司廣州分公司) was established as a limited liability company branch on 27 July 1995 for a valid operation period from 22 September 2007 to 11 December 2024.
- (3) According to the PRC legal opinion:
  - (i) Shanghai Natural Beauty Sanlian Cosmetics Company Limited Guangzhou Branch (上海自然美三聯化妝品有限公司廣州分公司) has obtained the business licence and is legally established; and
  - (ii) Shanghai Natural Beauty Joint Cosmetics Company Limited Guangzhou Branch (上海自然美三聯化妝品有限公司廣州分公司) has obtained Guangdong Province Real Estate Ownership Certificate and has the rights to occupy, use and dispose of the Property.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Guangdong Province Real Estate Ownership Certificate	Yes
Business Licence	Yes

**VALUATION CERTIFICATE****Group II – Property held for future development in the PRC**

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>
5. A piece of land located at the intersection of Haijiao Road and Haituo Road, Fengxian District, Shanghai, the PRC	<p>The Property comprises a parcel of land, which is designated for research and development uses, with a site area of approximately 28,279.80 sq m.</p> <p>The permitted plot ratio gross floor area of the Property is approximately 44,974.00 sq m.</p> <p>The Property is located within Shanghai Fengxian Bay Tourism Zone which lies in the south of Fengxian District, the immediate neighborhood of the Property is dominated by industrial facilities.</p> <p>According to the information provided by the Group, the Property is planned for research and development uses; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p> <p>The land use rights of the Property has been granted for a term of 50 years for research and development use, upon the handover of the Property from Shanghai Fengxian District Administration of Planning and Land Resources Bureau to the grantee.</p>	The Property is a vacant land pending for development.	RMB38,500,000

## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

*Notes:*

- (1) According to Grant Contract for State-owned Land Use Rights No. 38 dated 8 October 2015, the particulars of land grant are as follows:

Granter	:	Shanghai Fengxian District Administration of Planning and Land Resources Bureau (上海市奉賢區規劃和土地管理局)
Grantee	:	Shanghai Natural Beauty Fuli Cosmetics Company Limited, a 100.00% interest subsidiary of the Company (上海自然美富麗化妝品有限公司)
Location	:	East to Haijiao Road, West to a vacant land, South to Haituo Road, North to Planned No.1 Park Road
Lot No.	:	201316298523438223
Total Granted Site Area	:	28,279.80 sq.m.
Above Ground Plot Ratio	:	1.59
Above Ground Gross Floor Area	:	44,974.00 sq.m.
Total Land Grant Fee	:	RMB38,180,000 payable in full before 18 November 2015
Land Use	:	Research and Development
Land Use Term (from land handover date)	:	50 years
Land Hand Over	:	The granter shall hand over the cleared land to the grantee before 25 November 2015.
Building Covenant	:	To commence construction before 25 May 2016 and to complete the construction before 25 November 2017.

- (2) According to Business Licence No. 310000400023717, Shanghai Natural Beauty Fuli Cosmetics Company Limited (上海自然美富麗化妝品有限公司) was established as a limited liability company on with a registered capital of US\$1,480,000 for a valid operation period from 9 October 1992 to 8 October 2032.

- (3) According to the PRC legal opinion:

- (i) Shanghai Natural Beauty Fuli Cosmetics Company Limited (上海自然美富麗化妝品有限公司) has obtained the business licence and is legally established; and
- (ii) Shanghai Natural Beauty Fuli Cosmetics Company Limited (上海自然美富麗化妝品有限公司) has obtained the Grant Contract for State-owned Land Use Rights, once the obligations under the Grant Contract has been fulfilled, Shanghai Natural Beauty Fuli Cosmetics Company Limited (上海自然美富麗化妝品有限公司) would obtain the legal ownership of the Property.

- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Shanghai Certificate of Real Estate Ownership	No
Grant Contract for State-owned Land Use Rights	Yes
Business Licence	Yes

**VALUATION CERTIFICATE**

**Group III – Property held for owner occupation in Taiwan**

<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 October 2015</b>																
6. 8 parking lots and Building 8, No. 248-254 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	<p>The Property comprises 8 parking lots and a factory erected on a parcel of land which is designated for industrial use, with a total site area of approximately 657.71 sq m.</p> <p>The Property is located in Shengkeng District of New Taipei with a total floor area of approximately 4,289.04 sq m with details as follows:</p> <table border="0"> <thead> <tr> <th align="left"><b>Lot No.</b></th> <th align="right"><b>Total Floor Area</b> <i>(sq m)</i></th> </tr> </thead> <tbody> <tr> <td>01674-000</td> <td align="right">1,217.67</td> </tr> <tr> <td>01675-000</td> <td align="right">762.88</td> </tr> <tr> <td>01676-000</td> <td align="right">1,318.72</td> </tr> <tr> <td>01677-000</td> <td align="right">989.77</td> </tr> <tr> <td></td> <td align="right"><hr/></td> </tr> <tr> <td></td> <td align="right">4,289.04</td> </tr> <tr> <td></td> <td align="right"><hr/><hr/></td> </tr> </tbody> </table> <p>The Property is located in Shengkeng District, which lies in central New Taipei City in northern Taiwan. Formerly known as an agricultural and mining town, it is now famous for its tourism and cultural industry development.</p> <p>According to the information provided by the Group, the Property is for industrial use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p>	<b>Lot No.</b>	<b>Total Floor Area</b> <i>(sq m)</i>	01674-000	1,217.67	01675-000	762.88	01676-000	1,318.72	01677-000	989.77		<hr/>		4,289.04		<hr/> <hr/>	The Property is owner-occupied as at the valuation date.	NT\$283,000,000
<b>Lot No.</b>	<b>Total Floor Area</b> <i>(sq m)</i>																		
01674-000	1,217.67																		
01675-000	762.88																		
01676-000	1,318.72																		
01677-000	989.77																		
	<hr/>																		
	4,289.04																		
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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Notes:

- (1) The Market Value of the Property is shown as below:

Portion	Total Floor Area (sq m)	Market Value in existing state as at 31 October, 2015 (NT\$)
2 parking lots (Nos. B1-18 & 19) and Building 8, No. 248 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	762.88	50,000,000
2 parking lots (Nos. B1-20 & 21) and Building 8, No. 250 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	989.77	65,500,000
2 parking lots (Nos. B1-22 & 55) and Building 8, No. 252 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	1,318.72	87,200,000
2 parking lots (Nos. B1-64 & 65) and Building 8, No. 254 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	1,217.67	80,300,000
<b>Total:</b>	<u>4,289.04</u>	<u>283,000,000</u>

- (2) According to Land Ownership Certificate No. (098) 023766 issued by Xin Dian Land Office of New Taipei City Government, the land use rights of the Property with a site area of 657.71 sq m has been vested in Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司), a 100.00% interest subsidiary of the Company.
- (3) According to the transcripts of 4 Real Estate Ownership Certificates obtained from Xin Dian Land Office of New Taipei City Government on 14 October 2015, the main building area, subsidiary floor area and shared section floor area are as follows:

Certificate No.	Portion	Main Floor Area (sq m)	Subsidiary Floor Area (sq m)	Shared Section Floor Area (sq m)	Ratio of Ownership	Total Floor Area (sq m)
(098)008070	2 carparks lots and Building 8, No. 248 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	580.58	12.51	169.79	1/1	762.88
(098)008072	2 carparks lots and Building 8, No. 250 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	730.15	45.92	213.70	1/1	989.77
(098)008071	2 carparks lots and Building 8, No. 252 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	974.26	60.50	283.96	1/1	1,318.72
(098)008069	2 carparks lots and Building 8, No. 254 Section 3 Beishen Road, Shengkeng District, New Taipei, Taiwan	924.06	23.32	270.29	1/1	1,217.67
<b>Total:</b>						<u>4,289.04</u>

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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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- (4) According to Business Licence No. 38434293, Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司) was established with a registered capital of NT\$670,000,000 for a valid operation period from 25 June 1984.
- (5) According to the Taiwan legal opinion:
- (i) Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司) has obtained the business licence and is legally established; and
  - (ii) Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司) is the legal owner of the Property and has the rights to use, lease and dispose of the Property.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Land Ownership Certificate	Yes
Transcript of Real Estate Ownership Certificate	Yes
Business Licence	Yes

**VALUATION CERTIFICATE**

**Group IV – Property held for investment in Taiwan**

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015														
7. 3 parking lots on Basement Level 3 and Unit 1, 2, 3 & 5 on Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	<p>The Property comprises 3 parking lots and 4 office units of a building erected on a parcel of land which is designated for office use, with a total site area of approximately 67.56 sq m.</p> <p>The Property is located in Chongde Road in Taichung with a total floor area of approximately 841.81 sq m with details as follows:</p> <table border="0"> <tr> <td><b>No. 128 Section 2 Chongde Road, Taichung, Taiwan</b></td> <td align="right"><b>Total Floor Area (sq m)</b></td> </tr> <tr> <td>Unit 1, Level 3</td> <td align="right">301.44</td> </tr> <tr> <td>Unit 2, Level 3</td> <td align="right">152.49</td> </tr> <tr> <td>Unit 3, Level 3</td> <td align="right">206.69</td> </tr> <tr> <td>Unit 5, Level 3</td> <td align="right">131.67</td> </tr> <tr> <td>Carpark on Basement Level 3 – 133, 134 &amp; 135</td> <td align="right">49.52</td> </tr> <tr> <td></td> <td align="right"><u>841.81</u></td> </tr> </table>	<b>No. 128 Section 2 Chongde Road, Taichung, Taiwan</b>	<b>Total Floor Area (sq m)</b>	Unit 1, Level 3	301.44	Unit 2, Level 3	152.49	Unit 3, Level 3	206.69	Unit 5, Level 3	131.67	Carpark on Basement Level 3 – 133, 134 & 135	49.52		<u>841.81</u>	<p>According to the information provided by the Group, the Property was subject to a tenancy due to expire on 28 February 2026 at a monthly rent of NT\$70,000 for the first two years of the lease term, and the rent will be increased at a yearly growth rate of 3.5% for the remaining lease term.</p>	NT\$28,700,000
<b>No. 128 Section 2 Chongde Road, Taichung, Taiwan</b>	<b>Total Floor Area (sq m)</b>																
Unit 1, Level 3	301.44																
Unit 2, Level 3	152.49																
Unit 3, Level 3	206.69																
Unit 5, Level 3	131.67																
Carpark on Basement Level 3 – 133, 134 & 135	49.52																
	<u>841.81</u>																
	<p>The Property is located in Taichung, which is a special municipality located in central western Taiwan. It is the third largest city in Taiwan and is planned to be developed to an economic and cultural cosmopolitan city.</p> <p>According to the information provided by the Group, the Property is for office use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property.</p>																

## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

Notes:

- (1) The Market Value of the Property is shown as below:

Portion	Total Floor Area (sq m)	Market Value in existing state as at 31 October, 2015 (NT\$)
Unit 1, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	301.44	9,700,000
Unit 2, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	152.49	5,100,000
Unit 3, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	206.69	6,900,000
Unit 5, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	131.67	4,300,000
3 parking lots (Nos. B3-133, 134 & 135) on Basement Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	49.52	2,700,000
<b>Total:</b>	<b>841.81</b>	<b>28,700,000</b>

- (2) According to Land Ownership Certificate No. (098) 013975 issued by Zhong Zheng Land Office of Taichung City, the land use rights of the Property with a site area of 67.56 sq m has been vested in Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司), a 100.00% interest subsidiary of the Company.
- (3) According to the transcripts of 5 Real Estate Ownership Certificates obtained from Zhong Zheng Land Office of Taichung City on 14 October 2015, the total floor area of the Property consist of main building area, subsidiary building area and shared section floor area as follows:

Certificate No.	Portion	Main Floor Area (sq m)	Subsidiary Floor Area (sq m)	Shared Section Floor Area (sq m)	Ratio of Ownership	Total Floor Area (sq m)
(098) 007745	Carpark B3 on Basement Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	14.04	0.00	943.43	6/116	49.52
(098) 007746	Unit 1, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	199.62	25.81	76.01	1/1	301.44
(098) 007747	Unit 2, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	110.55	0.00	41.94	1/1	152.49
(098) 007748	Unit 3, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	127.40	20.32	58.97	1/1	206.69
(098) 007749	Unit 5, Level 3, No. 128 Section 2 Chongde Road, Taichung, Taiwan	78.60	23.58	29.49	1/1	131.67
<b>Total:</b>						<b>841.81</b>



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## APPENDIX III PROPERTY VALUATION REPORT OF THE GROUP

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- (4) According to Business Licence No. 38434293, Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司) was established with a registered capital of NT\$670,000,000 for a valid operation period from 23 June 1984.
- (5) According to the Taiwan legal opinion:
- (i) Natural Beauty Bio-Technology Company Limited. (自然美生物科技股份有限公司) has obtained the business licence and is legally established; and
  - (ii) Natural Beauty Bio-Technology Company Limited (自然美生物科技股份有限公司) is the legal owner of the Property and has the rights to use, lease and dispose of the Property.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Land Ownership Certificate	Yes
Transcript of Real Estate Ownership Certificate	Yes
Business Licence	Yes

## 1 RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (in relation to the information relating the Group only) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived (in relation to opinions expressed by the Directors only) at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2 SHARE CAPITAL

The Shares are listed and traded on the Main Board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange. As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	400,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>	200,210,093.20

Other than the Shares, there are no other classes of securities in the share capital of the Company in issue. All the Shares rank *pari passu* in all respects as regards rights to dividends, voting and capital. No Shares have been issued since 31 December 2014. Save for the 79,379,622 Share Options, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The Board resolved at a Board meeting held on 22 September 2015 to vest all unvested Share Options, totalling 59,478,740 Shares. The following table sets out the exercisable periods of the Share Options and the corresponding exercise price:

Date of grant	Exercise price (HK\$ per Share)	Number of outstanding Share Options	Exercisable period	Number of underlying Shares
19 April 2013	0.99	11,712,288	22 September 2015 <sup>(1)</sup> to 18 April 2023	11,712,288
10 May 2013	0.99	38,039,918	22 September 2015 <sup>(1)</sup> to 9 May 2023	38,039,918
6 May 2014	0.99	18,519,433	22 September 2015 to 5 May 2024	18,519,433
2 December 2014	0.99	7,607,983	22 September 2015 to 1 December 2024	7,607,983
31 March 2015	0.99	3,500,000	22 September 2015 to 30 March 2025	3,500,000
			Total:	<u>79,379,622</u>

*Note:*

- (1) 40% of these Share Options became exercisable with effect from 16 September 2015, the Acquisition Closing Date.

### 3 MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on: (i) the Last Trading Day; (ii) the date of the Joint Announcement; (iii) the Latest Practicable Date; and (iv) the last Business Day of each of the calendar months during the Relevant Period:

Date	Closing Price (HK\$)
31 March 2015	0.65
30 April 2015	0.59
29 May 2015	0.70
30 June 2015	0.70
31 July 2015	0.57
28 August 2015 (Last Trading Day)	0.66
31 August 2015	suspended from trading
30 September 2015	suspended from trading
23 October 2015 (Date of the Joint Announcement)	0.85
30 October 2015	0.86
24 November 2015 (Latest Practicable Date)	0.85

### 4 DISCLOSURE OF INTERESTS

#### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were 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 into 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 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Director	Nature of interest	Number of Shares	Percentage of the total issued share capital of the Company (%)
Dr. TSAI Yen-Yu <sup>(1)</sup>	Interest of controlled corporations	1,314,030,000	65.63
Mr. LEE Ming-Ta <sup>(2)</sup>	Interest of spouse	1,314,030,000	65.63

Notes:

- (1) As at the Latest Practicable Date, Dr. TSAI Yen-Yu directly owned 40% of the Offeror, which, together with Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu, directly owned 100% of Starsign and indirectly owned

100% of Standard Cosmos, Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited. Standard Cosmos, Starsign, Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited are therefore controlled corporations of Dr. TSAI Yen-Yu pursuant to section 316 of the SFO. As such, the aggregate of 1,314,030,000 Shares attributable to Starsign, Standard Cosmos, Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited were attributable to Dr Tsai Yen-Yu as at the Latest Practicable Date.

- (2) Mr. LEE Ming-Ta is the spouse of Dr. TSAI Yen-Yu and accordingly, as at the Latest Practicable Date, he was deemed to be interested in the 1,314,030,000 Shares attributable to Dr. TSAI Yen-Yu pursuant to section 316 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company and shares, underlying shares and debentures of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken 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 contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Substantial shareholders and other person's interests and short positions in the Shares and underlying Shares**

As at Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors) had interests or short positions in the Shares and underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

<b>Name of Substantial Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares interested in or deemed to be interested in</b>	<b>Percentage of the total issued share capital of the Company (%)</b>
Efficient Market Investments Limited	Beneficial owner	838,530,000	41.88
Adventa Group Limited	Beneficial owner	236,580,000	11.82
Fortune Bright Group Limited	Beneficial owner	236,580,000	11.82
Starsign <sup>(1)</sup>	Interest of controlled corporations	1,314,030,000	65.63
Standard Cosmos <sup>(1)</sup>	Interest of controlled corporations	1,314,030,000	65.63

Name of Substantial Shareholder	Nature of interest	Number of Shares interested in or deemed to be interested in	Percentage of the total issued share capital of the Company (%)
Offeror <sup>(2)</sup>	Interest of controlled corporations	1,314,030,000	65.63
Orchid Asia V, L.P. <sup>(3)</sup>	Beneficial owner	138,950,650	6.94
OAV Holdings, L.P. <sup>(3)</sup>	Interest of controlled corporations	138,950,650	6.94
Orchid Asia V GP, Limited <sup>(3)</sup>	Interest of controlled corporations	138,950,650	6.94
Orchid Asia V Group Management, Limited <sup>(3)</sup>	Interest of controlled corporations	138,950,650	6.94
Orchid Asia V Group, Limited <sup>(3)</sup>	Interest of controlled corporations	138,950,650	6.94
Areo Holdings Limited <sup>(3)</sup>	Interest of controlled corporations	140,275,000	7.01
LI Gabriel <sup>(3)</sup>	Interest of controlled corporations	140,275,000	7.01
LAM Lai Ming <sup>(3)</sup>	Interest of controlled corporations	140,275,000	7.01

*Notes:*

- (1) As at the Latest Practicable Date, Starsign was the sole shareholder of Standard Cosmos, which, in turn, was the sole shareholder of Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited. As such, the 1,311,690,000 Shares collectively held by Efficient Market Investments Limited, Adventa Group Limited and Fortune Bright Group Limited and 2,340,000 Shares held directly by Standard Cosmos (totalling 1,314,030,000 shares of the Company) were attributable to Standard Cosmos and Starsign.
- (2) As at the Latest Practicable Date, the Offeror directly owned 100% of Starsign. As such, the 1,314,030,000 Shares in which Starsign was interested were attributable to the Offeror.
- (3) As at the Latest Practicable Date, Areo Holdings Limited was the sole shareholder of Orchid Asia V Co-Investment, Limited and Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was the sole shareholder of Orchid Asia V Group Management, Limited, which, in turn, was the sole shareholder of Orchid Asia V GP, Limited, which, in turn, was the sole shareholder of OAV Holdings, L.P., which, in turn, was the sole shareholder of Orchid Asia V, L.P. Orchid Asia V, L.P. and Orchid Asia V Co-Investment, Limited directly held 138,950,650 (approximately 6.94%) and 1,324,350 (approximately 0.07%) of the shares of the Company, respectively. Areo Holdings Limited was beneficially owned by LI Gabriel and LAM Lai Ming. LAM Lai Ming is the spouse of LI Gabriel.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was aware of any person (other than a Director) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company.

**(c) Other interests**

As at the Latest Practicable Date:

- (a) no subsidiary of the Company, nor any pension fund of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code had been entered into between the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code and any other person;
- (c) no fund manager connected with the Company who manages funds on a discretionary basis owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (d) the Share Offer would not be extended to the Offeror (which was owned by Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu, Directors, as at the Latest Practicable Date) and on this basis, no Director intended to accept or reject the Offers in respect of the Shares held by him/her, directly or indirectly; and
- (e) neither the Company nor any of its Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

**5 SHAREHOLDINGS AND DEALINGS IN SHARES OF THE OFFEROR**

During the Relevant Period and up to the Latest Practicable Date, other than the interests of Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng, Dr. SU Sh-Hsyu and Mr. LEE Ming-Ta in the Offeror as disclosed in “LETTER FROM KARL THOMSON SECURITIES” of and Appendix V to this Composite Document, none of the Company nor any of its Directors had any interest in the shares of the Offeror, and no such person (including the Company) had dealt in the shares of the Offeror. As at the Latest Practicable Date, the Offeror did not have any outstanding options, warranties or other securities issued by the Offeror that carry a right to subscribe for or which are convertible into shares of the Offeror.

**6 DEALINGS IN THE SHARES**

During the Relevant Period and up to the Latest Practicable Date:

- (a) save for the Agreement, none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no subsidiary of the Company, nor any pension fund of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (c) no person who had an arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (d) no fund manager connected with the Company, who manages funds on a discretionary basis, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

## 7 ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been given or would be given to any Director as compensation for the loss of office or otherwise in connection with the Offers;
- (b) save for the Agreement and the Termination Deed, no material contract had been entered into by the Offeror in which any Director had a material personal interest; and
- (c) save for the Agreement and the Termination Deed, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

## 8 MATERIAL CONTRACTS

Save as disclosed below, no member of the Group entered into any material contract (not being a contract entered into in the ordinary course of business) within the period commencing two years before the commencement of the offer period (i.e., the date of the Holding Announcement dated 9 September 2015), and up to and including the Latest Practicable Date:

- (a) a consultancy services agreement dated 2 December 2014 between CA NB and the Company, pursuant to which CA NB agreed to provide the Company with consultancy services for a period of 36 calendar months commencing on 1 January 2015 and expiring on 31 December 2017, both dates inclusive, at a monthly fee of HK\$368,000; and
- (b) a deed of amendment, termination and release dated 30 September 2015 between CA NB and the Company in relation to the termination of the Consultancy Services Agreement (i.e., the Termination Deed).

**9 DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, the Company had entered into service contracts with the following Directors which (i) (including both continuous and fixed term contracts) have been entered into or amended within six months prior to the commencement of the offer period (i.e., the date of the Holding Announcement dated 9 September 2015), (ii) are continuous contracts with a notice period of 12 months or more, or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

- (a) a service contract dated 2 December 2014 with Dr. TSAI Yen-Yu for a fixed term of three years commencing on 1 January 2015 at an annual remuneration of HK\$1,000,000 (subject to an annual increment at the discretion of the Board of not more than 10% of the annual remuneration immediately prior to such increase);
- (b) a service contract dated 2 December 2014 with Mr. LEE Ming-Ta for a fixed term of three years commencing on 1 January 2015 at a nominal annual remuneration of HK\$1 (subject to an annual increment at the discretion of the Board of not more than 10% of the annual remuneration immediately prior to such increase);
- (c) a service contract dated 2 December 2014 with Dr. SU Chien-Cheng for a fixed term of three years commencing on 1 January 2015 at an annual remuneration of HK\$1,250,000 (subject to an annual increment at the discretion of the Board of not more than 10% of the annual remuneration immediately prior to such increase); and
- (d) a service contract dated 2 December 2014 with Dr. SU Sh-Hsyu for a fixed term of three years commencing on 1 January 2015 at an annual remuneration of HK\$1,250,000 (subject to an annual increment at the discretion of the Board of not more than 10% of the annual remuneration immediately prior to such increase).

Each of the above service contracts was a renewal of expired service contract and did not involve the amendment or replacement of any service contract which was entered into between the Company and the relevant Director.

Each of Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu is entitled to a management bonus. The aggregate amount of the bonuses payable to each of these executive Directors will not exceed 15% of the audited consolidated profit attributable to equity holders of the Company in respect of the relevant financial year of the Group as shall be determined at the full discretion of the Board.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group which:

- (a) (including both continuous and fixed term contracts) have been entered into or amended within six months prior to the commencement of the offer period (i.e., the date of the Holding Announcement dated 9 September 2015);



- (b) are continuous contracts with a notice period of 12 months or more; or
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 10 EXPERTS' QUALIFICATIONS AND CONSENTS

- (a) The following are the qualifications of Somerley Capital and DTZ Debenham Tie Leung Limited, who have been named in this Composite Document and given their opinion or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Somerley Capital	A corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
DTZ Debenham Tie Leung Limited	Property valuer

- (b) Each of Somerley Capital and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and with references to its names in the form and context in which they respectively appear.

## 11 LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or known to the Board to be threatened by or against any member of the Group.

## 12 GENERAL

The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal office in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company Secretary of the Company is Ms. HO Siu Pik, fellow member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

**13 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m., Monday to Friday, both days inclusive, at (i) the principal office of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; (ii) the website of the Company at [www.nblife.com/ir](http://www.nblife.com/ir); and (iii) the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Composite Document up to and including the Offers Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company containing the audited financial statements of the Group for the two years ended 31 December 2013 and 2014;
- (c) the interim report of the Company for the six months ended 30 June 2015;
- (d) the letter from the Board, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (f) the letter from Somerley Capital, the text of which is set out in this Composite Document;
- (g) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III of this Composite Document;
- (h) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this Appendix IV;
- (i) the service contracts of the Directors referred to in the paragraph headed "9. DIRECTORS' SERVICE CONTRACTS" in this Appendix IV; and
- (j) the written consents from Somerley Capital and DTZ Debenham Tie Leung Limited referred to in the paragraph headed "10. EXPERTS' QUALIFICATIONS AND CONSENTS" in this Appendix IV.

## 1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

## 2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; (iii) the date of the Joint Announcement; and (iv) the Latest Practicable Date.

Date	Closing price per Share <i>HK\$</i>
31 March 2015	0.65
30 April 2015	0.59
29 May 2015	0.70
30 June 2015	0.70
31 July 2015	0.57
28 August 2015 (Last Trading Day)	0.66
31 August 2015	suspended from trading
30 September 2015	suspended from trading
23 October 2015 (Date of the Joint Announcement)	0.85
30 October 2015	0.86
24 November 2015 (Latest Practicable Date)	0.85

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.86 per Share on 27 October 2015, 28 October 2015, 29 October 2015, 30 October 2015, 3 November 2015, 6 November 2015, 12 November 2015 and 13 November 2015; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.54 per Share on 18 March 2015, 19 March 2015, 6 August 2015 and 24 August 2015.

**3. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, the Offeror was interested in the entire issued share capital of Starsign, which through its wholly-owned subsidiaries as shown in the diagram under the paragraph headed “INTRODUCTION” in “LETTER FROM KARL THOMSON SECURITIES” held indirectly and in aggregate 1,314,030,000 Shares, representing 65.63% of the entire issued share capital of the Company. Save as disclosed above, the Offeror confirms that:

- (a) As at the the Latest Practicable Date, save as disclosed under table 4(a) under the section headed “DISCLOSURE OF INTERESTS” in Appendix IV, none of the Offeror, its ultimate beneficial owner, the directors of the Offeror, nor parties acting in concert with any one of them owned or controlled any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date.
- (b) None of the Offeror, its directors, its ultimate beneficial owner, nor parties acting in concert with any one of them had dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.
- (c) As at the Latest Practicable Date, none of the Offeror and/or the parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of Takeovers Code with any person.
- (d) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or not to accept the Offers.
- (e) No arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or convertible securities, warrants, options or derivatives of the Company and the Offeror or any party acting in concert with it during the Relevant Period.
- (f) As at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners, nor any party acting in concert with any one of them had borrowed or lent any Shares or convertible securities, warrants, options or derivatives of the Company.
- (g) No Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror or any party acting in concert with it, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

**4. OTHER ARRANGEMENTS IN RELATION TO THE OFFERS**

As at the Latest Practicable Date:

- (a) save as disclosed under the section headed “PROPOSED CHANGE TO THE BOARD COMPOSITION” set out in the “LETTER FROM KARL THOMSON SECURITIES”, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offers;
- (b) save for the Agreement and the Termination Deed, no material contracts had been entered into by the Offeror in which any Director has a material personal interest;
- (c) there was no agreement or arrangement to which the Offeror and its concert party is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offers;
- (d) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be purchased by the Offeror (or any of their respective wholly-owned subsidiaries) upon completion of the Offers;
- (e) the Offeror had no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Offers to any other person, or had any agreement, arrangement or understanding with any third party to do so;
- (f) no benefit is or will be paid to any directors of the Company as compensation for loss of office or otherwise in connection with the Offers; and
- (g) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or other relevant securities of the Company) or the shares of the Offeror (or other relevant securities of the Offeror) which might be material to the Offers.

## 5. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Karl Thomson Financial	Karl Thomson Financial Advisory Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Karl Thomson Securities	Karl-Thomson Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, none of Karl Thomson Financial and Karl Thomson Securities had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Karl Thomson Financial and Karl Thomson Securities had any direct or indirect interest in any assets which have been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Karl Thomson Financial and Karl Thomson Securities have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion in this Composite Document of the text of their respective letters, reports or opinions, as the case may be, and references to their names in the form and context in which they respectively appear.

**6. MISCELLANEOUS**

As at the Latest Practicable Date:

- (i) The registered office of the Offeror was situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (ii) The address of each of Dr. TSAI Yen-Yu, Dr. SU Chien-Cheng and Dr. SU Sh-Hsyu was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (iii) The registered office of Standard Cosmos was situated at KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands, its directors are Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Sh-Hsyu and Dr. SU Chien-Cheng. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (iv) The registered office of Efficient Market Investments Limited was situated at KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands, its directors are Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Sh-Hsyu and Dr. SU Chien-Cheng. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (v) The registered office of Adventa Group Limited was situated at KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands, its directors are Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Sh-Hsyu and Dr. SU Chien-Cheng. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (vi) The registered office of Fortune Bright Group Limited was situated at KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands, its directors are Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Sh-Hsyu and Dr. SU Chien-Cheng. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (vii) The registered office of Starsign was situated at KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands, its directors are Dr. TSAI Yen-Yu, Mr. LEE Ming-Ta, Dr. SU Sh-Hsyu and Dr. SU Chien-Cheng. The correspondence address was 4F, No.9, Songqin Street, Xinyi District, Taipei, Taiwan.
- (viii) The registered office of Karl Thomson Securities was situated at 27/F, Fortis Tower, 77-79 Gloucester Road, Wan Chai, Hong Kong.
- (ix) The registered office of Karl Thomson Financial was situated at 27/F, Fortis Tower, 77-79 Gloucester Road, Wan Chai, Hong Kong.

- (x) The English text of this Composite Document shall prevail over the Chinese text in the case of inconsistency.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m., Monday to Friday, at (i) the principal place of business in Hong Kong of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; (ii) on the website of SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) the website of the Company at [www.nblife.com/ir](http://www.nblife.com/ir), from the date of this Composite Document up to and including the Offers Closing Date:

- (i) the Memorandum and Articles of Association of the Offeror;
- (ii) the letter from Karl Thomson Securities as set out in the section headed "LETTER FROM KARL THOMSON SECURITIES" in this Composite Document; and
- (iii) the written consent from Karl Thomson Securities and Karl Thomson Financial, as referred to in the paragraph headed "EXPERTS' QUALIFICATIONS AND CONSENTS" in this Appendix.