
**TLC BEATRICE (CHINA) LTD.
Private Placement Offer**

Overview

TLC Beatrice (China) Ltd. (“TLCB” or the “Company”), a holding company that owns majority positions in convenience store (“C-store”) and supermarket operations in mainland China, is in the process of raising US\$21.5 Million in private equity for the Company’s continued expansion in the Chinese market. As one of the first international C-store/ supermarket players in China, TLCB, through its joint ventures with state-run and privately held supermarkets and C-stores, has already established 170 C-stores and supermarkets in the country. The Company has a proven track record in increasing sales and cash flows as well as improving operating efficiency through their modernized, “Western” approach to C-store and supermarket operations. Ms. Loida Nicolas Lewis, an industry veteran with a successful track record in managing similar retail supermarket and C-stores in Europe and China, leads TLCB. The constant need for an accessible food outlet, as well as the growing popularity of high quality goods and cleaner C-stores and supermarkets, provide a great opportunity for the Company to generate significant and growing sales in this area.

The Opportunity

TLCB is inviting interested strategic investors to invest in TLC Holdings Group Inc. (“TLC Holdings”), which will be formed to hold both the Supermarket and the C-store operations of TLCB. TLCB will be the operating company that currently has joint ventures in the C-store operations. TLC Supermarket Ltd. (“TLC Supermarket”), to be owned 100% by TLC Holdings, will be holding the supermarket operations and will be the vehicle to acquire target local supermarket operators in identified areas of China.

TLC Holdings is offering a significant minority stake for US\$21.5 Million. The funds will be used to buyout existing Joint Venture partners in its C-store and supermarket businesses, buyout the 15% ownership stake of China Retail Fund (CRF) in TLCB, repay debts to both CRF and other parties, acquire new C-stores and supermarkets, and pay related fees and other expenses.

Investment Considerations

- ⌘ TLCB is a well-known and recognized C-store chain in China, having been present in the region for over 6 years and growing.
- ⌘ TLCB is one of the few foreign players operating in the C-store sector in China. Its stores are strategically located in densely populated areas in China, namely, Xiamen, Chengdu, Suzhou, and Guangzhou.
- ⌘ Chain supermarkets and C-stores in China have grown 70% annually since 1994 and are projected to continue to have significant growth over the next five years. The overall industry on a global basis is expected to grow at an annual rate of 20% over the next five years.
- ⌘ Existence of a highly fragmented and underdeveloped retail food market, with benefits of sale and opportunities for consolidation; TLCB is well positioned to consolidate, given its first-mover advantage.
- ⌘ The Company is led by an experienced management team well known in the retail food chain industry with vast experience in retail grocery, merchandising and supply chain management.
- ⌘ Projected average annual growth rate is 49% for revenues and 109% for net income (period of 2004-2007) post-acquisition.
- ⌘ The Company is experienced in turning around acquired stores by improving operations to increase sales and increase profitability. The Company quickly identifies non-performing stores to divest, giving them the ability to ascertain elements for successful store operations.

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Company History

TLCB was acquired from TLC Beatrice International Holdings Inc. by Ms. Imelda M. Nicolas and Mr. Dan Onate in December 1998. The China Retail Fund, a subsidiary of AIG, acquired a 15% equity interest in July 2000 and provided US\$2.0 Million senior debt to the Company in August 2001. Ms. Loida Nicolas Lewis then acquired majority interest from Mr. Dan Onate and Ms. Imelda M. Nicolas in January and March 2003, respectively.

The company has been running its C-store and supermarket operations for over 6 years, beginning in the end of 1998. Its stores total 170 as of December 2004, 35 of which are franchised. These stores were owned through TLCB's joint ventures with C-stores and supermarkets in China:

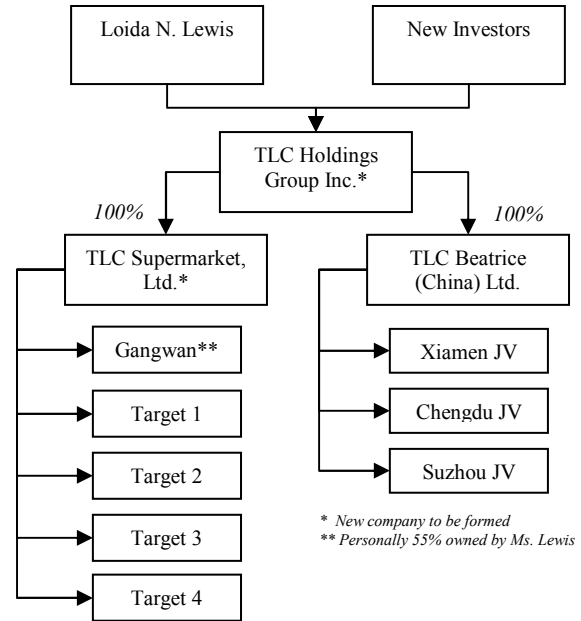
- ⊗ Xiamen Beatrice Chain Stores Co. Ltd. – 55.0%
- ⊗ Sichuan Franprix Supermarkets Co. Ltd. (Chengdu) – 86.2%
- ⊗ Suzhou Meijia Beatrice Chain Stores Co., Ltd. / Suzhou Meijia Convenience Stores Co., Ltd. – 50.0%

Currently, the supermarket operations of Guangzhou/Gangwan stores are 55.0% owned through Ms. Lewis and not TLCB. However, once TLC Holdings is formed, the Guangzhou/Gangwan operations will be made part of TLC Holdings through TLC Supermarket.

TLCB'S three-pronged growth strategy involves organic growth, "tuck-in" acquisitions into existing regional platforms, and acquisitions of new chains in new regions. TLCB aims for top line sales growth through its expansion strategies and the improved efficiencies of its acquisitions. The Company plans to "turn around" unprofitable operations of its acquisitions and increasing profits of other stores further. In line with this strategy, the Company targets a total of 409 C-stores and supermarkets by the end of 2007.

Proposed Shareholding and Ownership Structure

Currently, the majority shareholder of TLCB is Ms. Lewis. Ms. Imelda Nicolas and the CRF owns a minority stake in TLCB. The following is the proposed ownership structure after new equity infusion.



Acquisition Strategy

TLCB's acquisition targets all adhere to the Company's key investment criteria. These criteria require all C-stores and supermarket acquisitions to have a good location and be accessible to a dense population with strong demographics. It also requires the targets to have significant growth prospects, where TLCB may significantly improve operating margins and profitability through utilizing Beatrice's local warehousing, inventory control and implementation of new management. For each target, TLCB aims to acquire a meaningful equity position, and eventually acquire a 100% ownership within a few years of the initial investment.

TLCB approaches each target using a several-step process to improve the acquisitions. TLCB restructures each store and implements an efficient, "Western" style management system, and renovates each store to improve and modernize its appearance. This includes utilizing operational and technological improvements to decrease costs and to better anticipate the customer's needs and demands. When seeing the potential of a store, the Company implements an expansion strategy for the said target.