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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS:

- Turnover increased by 21.8% to HK$591.3 million.
- Net profit surged by 275.0% to HK$115.2 million.
- Gross margin improved from 73.2% to 79.3%.
- Final dividend of HK$0.05 per share (Dividend payout at 147.8%).

RESULTS

The directors of Natural Beauty Bio-Technology Limited ("Natural Beauty" or the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 together with the comparative figures for 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	4	**591,295**	485,389
Cost of sales		**(122,162)**	(130,007)
Gross profit		**469,133**	355,382
Other income	6	**18,027**	17,523
Distribution and selling expenses		**(197,106)**	(146,828)
Administrative expenses		**(108,617)**	(125,009)
Other expenses		**(7,790)**	(25,220)
Profit before tax		**173,647**	75,848
Income tax expense	7	**(58,475)**	(45,138)
Profit for the year	8	**115,172**	30,710
Other comprehensive income:			
Exchange differences arising on translation		**20,393**	33,292
Total comprehensive income for the year		**135,565**	64,002
Profit (loss) for the year attributable to:			
Owners of the Company		**115,123**	31,303
Non-controlling interests		**49**	(593)
		115,172	30,710
Total comprehensive income (expense) attributable to:			
Owners of the Company		**135,531**	64,563
Non-controlling interests		**34**	(561)
		135,565	64,002
Earnings per share	10		
Basic		**HK5.8 cents**	HK1.6 cents
Diluted		**HK5.8 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties		**5,117**	5,251
Property, plant and equipment		**261,106**	232,078
Prepaid lease payments		**9,710**	9,636
Goodwill		**27,507**	26,640
Available-for-sale investments		**–**	–
		303,440	273,605
Current assets			
Inventories		**40,260**	46,725
Trade and other receivables	*11*	**55,891**	44,392
Prepaid lease payments		**300**	289
Pledged bank deposits		**443**	432
Bank balances and cash		**558,292**	575,488
		655,186	667,326
Current liabilities			
Trade and other payables	*12*	**135,832**	126,102
Deferred income		**6,476**	10,555
Taxation payable		**12,802**	9,045
		155,110	145,702
Net current assets		**500,076**	521,624
Total assets less current liabilities		**803,516**	795,229
Non-current liabilities			
Retirement benefit obligations		**10,009**	10,493
Deferred taxation liabilities		**5,322**	2,102
		15,331	12,595
		788,185	782,634
Capital and reserves			
Share capital		**200,210**	200,210
Reserves		**587,794**	582,277
Equity attributable to owners of the Company		**788,004**	782,487
Non-controlling interests		**181**	147
Total equity		**788,185**	782,634

Notes:

1. GENERAL

The Company was incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability. Its shares have been listed on The Stock Exchange of Hong Kong Limited since 28 March 2002. Its ultimate parent and immediate parent are Starsign International Limited and Standard Cosmos Limited, respectively, and both were incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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 reporting 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 recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future will have impact on amounts reported in respect of the Group's available-for-sale investment. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect with a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards will have no significant impact on amounts reported in the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 may have impact on deferred tax recognised for investment properties that are measured using the fair value model. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments, and hence have not yet quantified the extent of the impact.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments, and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

4. 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, (ii) service income from provision of skin treatments, beauty and SPA services and (iii) entrustment fee income for the year, and is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**584,715**	476,396
Service income	**6,580**	8,943
Entrustment fee income	**–**	50
	591,295	485,389

5. 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 focuses 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 People's Republic of China ("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 by reportable and operating segment.

For the year ended 31 December 2011

	PRC *HK$'000*	**Taiwan** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**473,234**	**110,503**	**7,558**	**591,295**
Segment profit (loss)	**187,248**	**34,925**	**(4,224)**	**217,949**
Unallocated corporate expenses				**(53,306)**
Unallocated income				**9,004**
Profit before tax				**173,647**

For the year ended 31 December 2010

	PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	362,899	112,734	9,756	485,389
Segment profit (loss)	104,990	636	(12,551)	93,075
Unallocated corporate expenses				(20,110)
Unallocated income				2,883
Profit before tax				75,848

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of equity-settled share based payment, 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 and exchange differences.

Other segment information

	PRC	Taiwan	Others	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2011				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**17,679**	**5,376**	**178**	**23,233**
Release of prepaid lease payments	**296**	**–**	**–**	**296**
Loss on disposal of property, plant and equipment	**2,479**	**647**	**50**	**3,176**
(Reversal of allowance) allowance for obsolete inventories	**(51)**	**2,864**	**(16)**	**2,797**
Reversal of allowance on trade receivables	**–**	**(972)**	**–**	**(972)**

	PRC	Taiwan	Others	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2010				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	11,806	6,095	1,570	19,471
Release of prepaid lease payments	279	–	–	279
Loss on disposal of property, plant and equipment	1,194	6,222	761	8,177
Allowance for obsolete inventories	12,268	13,679	1,462	27,409
Impairment loss (reversal of allowance) on trade receivables	1,402	(763)	–	639
Increase in fair value of investment properties	–	(62)	–	(62)

Geographical information

The Group is principally engaged in (a) manufacturing and selling of skin care, beauty and aromatherapeutic products and (b) provision of skin treatments, beauty and spa services and skin care consulting and beauty training. The analysis of the Group's revenue by type of business for the year are set out in note 4.

The Group's non-current assets excluding available-for-sale investments is presented based on the geographical location of the assets as detailed below:

	2011	2010
	HK$'000	*HK$'000*
The PRC	**246,371**	212,937
Taiwan	**56,807**	60,205
Others	**262**	463
	303,440	273,605

The Group has a very wide customer base, no single customer contributed more than 10% of the Group's revenue for each of the years ended 31 December 2010 and 2011.

6. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest on bank deposits	**9,004**	2,774
Rental income from investment properties	**152**	217
Rental income from other properties and equipment	**1,266**	2,841
Financial refunds *(Note)*	**5,569**	9,359
Increase in fair value of investment properties	**–**	62
Others	**2,036**	2,270
	18,027	17,523

Note: Pursuant to the local practice of the finance bureau of the provinces in which certain of the PRC subsidiaries operate, the PRC subsidiaries will receive financial refunds in the form of government grants by way of negotiation with the relevant finance bureau from other taxes paid. 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.

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
Taxation in PRC		
Current year	**25,242**	27,118
Underprovision in prior years	**4,732**	4,285
Dividend withholding tax	**9,014**	–
	38,988	31,403
Taxation in Taiwan		
Current year	**6,323**	2,288
Underprovision in prior years	**174**	4,825
Dividend withholding tax	**–**	989
	6,497	8,102
Taxation in Hong Kong		
Current year	**1,018**	–
Deferred taxation		
Current year	**11,972**	5,175
Attributable to a change in tax rate	**–**	458
	11,972	5,633
	58,475	45,138

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, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The Tax Holiday continued on the implementation of the current EIT Law using the tax rate of 25%. The Tax Holiday was expired in 2011.

Pursuant to the relevant laws and regulations in the PRC, dividend withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. Dividend withholding tax of approximately HK$9,014,000 (2010: Nil) was recognised.

Corporate Income Tax in Taiwan is charged at 17% in both years. The reduction of the Corporate Income Tax in Taiwan to 17% was approved on 15 June 2010. The new rate is effective retrospectively from 1 January 2010 onwards.

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

8. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**5,498**	5,355
Other staff salaries and allowances	**97,927**	108,377
Retirement benefits scheme contributions, excluding directors:		
– defined contribution plans	**16,689**	13,597
– defined benefit plan	**468**	606
Equity-settled share based payments (included in administrative expenses)	**30,154**	–
Total staff costs	**150,736**	127,935
Depreciation of property, plant and equipment	**23,233**	19,471
Release of prepaid lease payments	**296**	279
Auditor's remuneration	**3,099**	2,821
Loss on disposal of property, plant and equipment	**3,176**	8,177
Research and development costs	**3,250**	1,330
Allowance for obsolete inventories	**2,797**	27,409
Cost of inventories recognised as an expense	**119,365**	102,598
Net exchange loss	**1,154**	109
(Reversal of allowance) impairment loss on trade receivables	**(972)**	639
Impairment loss on available-for-sale investments	**–**	3,926
Write off of trade receivables	**1,811**	409

9. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend, paid – HK$0.035 per share (2010: HK$0.035 per share)	**70,074**	70,074
Final dividend, paid – HK$0.045 per share for 2010 (2010: HK$0.040 per share for 2009)	**90,094**	80,084
	160,168	150,158

A final dividend of HK$0.050 per share in respect of the year ended 31 December 2011 (2010: final dividend of HK$0.045 per share in respect of the year ended 31 December 2010), amounting to HK$100,105,000 (2010: HK$90,094,000) in aggregate has been proposed by the directors and is subject to approval by the shareholders in general meeting.

10. 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$115,123,000 (2010: HK$31,303,000) and on the number of 2,002,100,932 (2010: 2,002,100,932) ordinary shares of the Company in issue during the year.

The computation of diluted earnings per share for 2011 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 2011. No diluted earnings per share for 2010 was presented since there are no outstanding share option for 2010.

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**27,941**	21,392
Less: allowance for doubtful debts	**(1,634)**	(2,828)
	26,307	18,564
Prepayments	**9,838**	9,551
Other receivables	**19,746**	16,277
Total trade and other receivables	**55,891**	44,392

The Group allows a credit period ranging from one to six months to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
Within 180 days	**26,307**	18,372
181 days to 365 days	**–**	192
	26,307	18,564

12. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**22,349**	13,032
Deposits from customers	**24,451**	20,209
Other tax payables	**8,608**	8,086
Other payables	**80,424**	84,775
Total trade and other payables	**135,832**	126,102

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

	2011	2010
	HK$'000	*HK$'000*
Within 180 days	**22,349**	13,032

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover by geographical region	**2011**		2010		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	**473,234**	**80.0%**	362,899	74.8%	110,335	30.4%
Taiwan	**110,503**	**18.7%**	112,734	23.2%	(2,231)	-2.0%
Others	**7,558**	**1.3%**	9,756	2.0%	(2,198)	-22.5%
Total	**591,295**	**100.0%**	485,389	100.0%	105,906	21.8%

For 2011, turnover of the Group increased by 21.8% to HK$591.3 million compared with HK$485.4 million in 2010. This was due to an increase in product sales of HK$108.3 million generated from the strong performance of the new concept stores and higher average sales per store in the PRC.

Turnover in the PRC market increased by 30.4% from HK$362.9 million in 2010 to HK$473.2 million in 2011. The increase in turnover was mainly due to a HK$110.9 million increase in product sales. Meanwhile, service income declined by HK$0.5 million from HK$2.4 million in 2010 to HK$1.9 million in 2011 as a result of the closures of two of the Group's self-owned spas during 2011. Turnover in Taiwan dropped 2.0% to HK$110.5 million in 2011 compared with HK$112.7 million in 2010 due to the stagnant consumer market in Taiwan. The Group also closed four self-owned spas in Taiwan in 2011. The closure of self-owned spas was mainly due to the Group's decision to re-focus management resources on the more profitable franchise business. Affected customers were transferred to independent franchisees.

Sales from other regions, including Hong Kong, Macau and Malaysia, decreased 22.5% to HK$7.6 million in 2011 mainly due to the closure of a self-owned spa in Macau. Contribution from these regions remained at an insignificant level comprising just 1.3% of the Group's turnover.

The Group's overall gross profit margin increased from 73.2% in 2010 to 79.3% in 2011 due to the higher sales mix of NB-1 and Yam products which have a higher gross margin and less inventory provision in the current year. During 2010, the Group decided to discontinue non-performing product lines and shifted its focus to more profitable core products. As a result, a non-cash provision of HK$27.4 million for slow moving and obsolete inventories was charged to Cost of Sales in 2010, compared to a provision of HK$2.8 million in 2011.

Turnover by activities	**2011**	2010	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Products				
PRC	**471,310**	360,433	110,877	30.8%
Taiwan	**106,021**	106,726	(705)	-0.7%
Others	**7,384**	9,237	(1,853)	-20.1%
Total	**584,715**	476,396	108,319	22.7%
Services				
PRC	**1,924**	2,416	(492)	-20.4%
Taiwan	**4,482**	6,008	(1,526)	-25.4%
Others	**174**	519	(345)	-66.5%
Total	**6,580**	8,943	(2,363)	-26.4%
Entrustment				
PRC	**–**	50	(50)	-100.0%
Taiwan	**–**	–	–	n/a
Others	**–**	–	–	n/a
Total	**–**	50	(50)	-100.0%

Turnover by activities	**2011**		2010		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Products	**584,715**	**98.9%**	476,396	98.1%	108,319	22.7%
Services	**6,580**	**1.1%**	8,943	1.9%	(2,363)	-26.4%
Entrustment	**–**	**0.0%**	50	0.0%	(50)	-100.0%
Total	**591,295**	**100.0%**	485,389	100.0%	105,906	21.8%

Products

The Group is principally engaged in the manufacturing and sale of a range of products, including skin care, beauty, aroma-therapeutic products, health supplements and make-up, under the "Natural Beauty" brand name. Sales of products are the Group's key revenue source and primarily derived from franchised spas, self-owned spas and concessionary counters in department stores. Sales of products in 2011 amounted to HK$584.7 million, or 98.9% of the Group's total revenue, representing an increase of HK$108.3 million when compared with sales of HK$476.4 million (or 98.1% of the Group's total revenue) in 2010. The increase in product sales was mainly driven by the PRC where sales rose by HK$110.9 million on the back of strong growth momentum of the new concept stores and higher productivity per store. Gross margin on sales of products for the Group as a whole increased from 77.2% in 2010 to 82.6% in 2011.

Service income	**2011**		2010		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Training income	**134**	**2.0%**	734	8.2%	(600)	-81.7%
SPA service income	**5,012**	**76.2%**	7,555	84.5%	(2,543)	-33.7%
Others	**1,434**	**21.8%**	654	7.3%	780	119.3%
Total	**6,580**	**100.0%**	8,943	100.0%	(2,363)	-26.4%

Services

Service income is derived from the self-owned spas' services, training and other services.

The Group provides skin treatment, beauty and spa services through its self-owned spas. The Group's strategy is to establish self-owned spas as model outlets in strategic locations to stimulate overall sales of products to franchisees.

Service income is solely derived from the Group's self-owned spas. The Group does not share any service income generated from spas run by franchisees under its current franchise arrangements. The service income the franchisees derive from the spas covers their operating expenses such as rentals, salaries and utilities. In 2011, service income decreased by 26.4% to HK$6.6 million compared with HK$8.9 million in 2010. The decrease was mainly due to the Group's decision to re-focus management resources on the more profitable franchise business, leading to the closure of seven self-owned spas during 2011 (two in the PRC, four in Taiwan and one in Macau).

Entrustment

Entrusted spas, which were formerly operated by the Group, are owned by the Group and operated by reputable operators. In order to allocate financial and human resources more efficiently, the Group put in place entrustment arrangements in the PRC under which its self-owned spas are entrusted to local reputable operators. The operators sell the Group's products in their stores and are entitled to all profits and responsible for all losses from the operations. The Group receives a fixed annual entrustment fee from the operator until its initial investment in the spa is repaid, at which point, the entrusted spa becomes a regular franchised spa.

During 2011, no entrustment income was recorded, compared with HK$50,000 recorded in 2010. The decline in entrustment income was attributable to the expiry of the remaining entrustment arrangements in 2010. The Group had no entrusted spas as at 31 December 2011.

Other income

Other income mainly comprised rental income of other properties, interest income and financial refunds, respectively of HK$1.3 million, HK$9.0 million and HK$5.6 million during 2011. Other income increased slightly by 2.9%, or HK$0.5 million, to HK$18.0 million in 2011, from HK$17.5 million in 2010.

Distribution and administrative expenses

Distribution and selling expenses as a percentage of the Group's turnover increased to 33.3% in 2011 compared with 30.2% in 2010. Total expenses increased by HK$50.3 million from HK$146.8 million in 2010 to HK$197.1 million in 2011. The increase was mainly due to the recruitment of more sales-related staff, resulting in higher salaries, commissions and related personnel overheads during 2011. Meanwhile, the Group has expanded the media channels it is using for branding promotions, including magazines and the Internet (websites and blogs), instead of the more expensive, traditional promotional channels (e.g. gifts and free samples) to drive the sell-through rate of its inventory. Advertising and promotion expenses decreased by HK$9.0 million from HK$65.5 million in 2010 to HK$56.5 million in 2011, and the amount as a percentage of the Group's total turnover dropped from 13.5% in 2010 to 9.5% in 2011. Other key expenses include salaries, travel and entertainment expenses as well as rentals of executive accommodation and counters, which amounted to HK$58.5 million, HK$14.0 million and HK$35.5 million, respectively in 2011.

Total administrative expenses decreased by HK$16.4 million to HK$108.6 million in 2011. Administrative expenses as a percentage of turnover decreased from 25.8% in 2010 to 18.4% in 2011. The declines in both the amount and percentage were attributable to stringent control on costs and expenses as well as lower rental costs due to office closures of subsidiaries in the PRC and Taiwan. Administrative costs in 2011 comprised mainly non-cash stock option expenses of HK$30.1 million, staff costs and retirement benefits of HK$29.9 million, legal and professional fees of HK$11.0 million, traveling expenses of HK$3.3 million, depreciation charges of HK$8.0million, rentals of HK$3.9 million and office and utilities expenses of HK$2.7 million in 2011.

Other expenses

Other expenses decreased from HK$25.2 million in 2010 to HK$7.8 million in 2011, representing a decrease of HK$17.4 million. Other expenses mainly include the HK$4.4 million loss on disposal of fixed assets, demolition and related costs due to spa closures and a HK$1.2 million foreign exchange loss in 2011.

Profit before taxation

Taking into account the increase in gross profit, lower administrative expenses and other expenses, and increased distribution and selling expenses, profit before tax increased by 128.9% from HK$75.8 million to HK$173.6 million in 2011.

Taxation

Taxation expenses increased 29.5% from HK$45.1 million in 2010 to HK$58.5 million in 2011. The effective tax rate of the Group for 2011 was 33.7% compared to 59.5% for 2010. The high effective tax rate in 2010 was due to the payment of under-provided profit taxes relating to previous years amounting to HK$9.1 million.

Profit for the year

Profit for the year surged by 275.0% from HK$30.7 million in 2010 to HK$115.2 million in 2011.

Liquidity and financial resources

Cash generated from operating activities in 2011 was approximately HK$170.4 million (HK$173.9 million in 2010). As at 31 December 2011, the Group had bank balances and cash of approximately HK$558.3 million (HK$575.5 million as at 31 December 2010) with no external bank borrowing.

In terms of gearing, as at 31 December 2010 and 31 December 2011, the Group's gearing ratios were zero (defined as net debt divided by shareholders' equity) as the Group was in a net cash position on both year-end dates. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2010 and 31 December 2011 were 4.6 times and 4.0 times respectively. As at 31 December 2011, the Group had no material contingent liabilities, other than those disclosed in its financial statements and notes thereto. With the cash and bank balances in hand, the Group's liquidity position remains strong and it has sufficient financial resources to finance its commitments and to meet its working capital requirements.

Charges on assets

At 31 December 2011, the Group had pledged bank deposits amounting to HK$443,000 (HK$432,000 as at 31 December 2010) which are required pursuant to a tenancy agreement for one of its wholly-owned subsidiaries in relation to a self-owned store in Macau.

Treasury policies and exposure to fluctuations in exchange rates

Most of the Group's revenues are denominated in Renminbi and New Taiwan Dollars as its operations are mainly located in the PRC and Taiwan. As at 31 December 2011, approximately 81.5% (71.4% as at 31 December 2010) of the Group's bank balances and cash was denominated in Renminbi, while approximately 14.9% (10.3% as at 31 December 2010 in New Taiwan Dollars. The remaining 3.6% (18.3% as at 31 December 2010) was denominated in US Dollars, Hong Kong Dollars, Macau Pataca and Ringgit Malaysia. The Group continues to adopt a conservative approach in its foreign exchange exposure management. It reviews its foreign exchange risk periodically and uses derivative financial instruments to hedge against such risk when necessary.

BUSINESS REVIEW

Turnover by geographic region	2011	2010	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
PRC				
Products	**471,310**	360,433	110,877	30.8%
Services	**1,924**	2,416	(492)	-20.4%
Entrustment	**–**	50	(50)	-100.0%
PRC Total	**473,234**	362,899	110,335	30.4%
Taiwan				
Products	**106,021**	106,726	(705)	-0.7%
Services	**4,482**	6,008	(1,526)	-25.4%
Entrustment	**–**	–	–	n/a
Taiwan Total	**110,503**	112,734	(2,231)	-2.0%
Others				
Products	**7,384**	9,237	(1,853)	-20.1%
Services	**174**	519	(345)	-66.5%
Entrustment	**–**	–	–	n/a
Others Total	**7,558**	9,756	(2,198)	-22.5%

The PRC Market

Turnover in the PRC market increased by 30.4% in 2011 to HK$473.2 million compared with HK$362.9 million in 2010. The growth was mainly due to the strong performance of the new concept stores and improved average sales per store. Gross margin on product sales remained high at 83.0% in 2011.

Thanks to the strong revenue growth and enhanced operational efficiency, profit before tax and net profit in the PRC increased by 75.6% (or HK$81.6 million) and 113.5% (or HK$90.0 million) respectively for the year under review.

The Taiwan Market

Turnover for Taiwan decreased by 2.0% from HK$112.7 million in 2010 to HK$110.5 million in 2011. The decline was due to the closure of four self-owned spas in Taiwan during the year, which resulted in a decrease in service income by 25.4% from HK$6.0 million in 2010 to HK$4.5 million in 2011. Thanks to more stringent cost controls and less inventory provision in Taiwan in 2011, profit before tax and net profit surged by HK$34.3million and HK$33.4 million respectively for 2011.

Distribution channels

Store Number by Ownership	Franchisee owned Spa	Self owned Spa	Total Spa	Entrusted Counter	Self owned Counter	Total Counter	Grand Total
As at 31 December 2011							
Taiwan	310	3	313	–	–	–	313
PRC	1,134	2	1,136	22	34	56	1,192
Others	33	–	33	–	–	–	33
Total	1,477	5	1,482	22	34	56	1,538

Store Number by Ownership	Franchisee owned	Entrusted	Self owned	Total
As at 31 December 2011				
Taiwan	310	–	3	313
PRC	1,134	22	36	1,192
Others	33	–	–	33
Total	1,477	22	39	1,538

Average sales per store	2011 Average store*	2010 Average store*	2011 Average sales per store	2010 Average sales per store	Changes	
			HK$	*HK$*	*HK$*	%
PRC	**1,138.5**	1,139.5	**416,000**	318,000	98,000	30.8%
Taiwan***	**334.0**	396.0	**331,000**	292,000	39,000	13.4%
Group total**	**1,472.5**	1,535.5	**396,000**	312,000	84,000	26.9%

* *Average store number is calculated by (opening period total + closing period total)/2*

** *Group total does not include Hong Kong, Macau and Malaysia turnover and store count.*

*** *Taiwan sales excluded retail sales of "Fonperi" brand products which are sold through different distribution channel.*

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters in department stores. As at 31 December 2011, there were 1,482 spas and 56 concessionary counters. There were a total of 1,477 franchised spas, 5 spas and 34 concessionary counters directly operated by the Group. There were also 22 concessionary counters entrusted to reputable operators. Franchised spas are owned by the franchisees who are responsible for the capital investments in these spas. They are obliged to use "Natural Beauty" or "NB" brand for all products in their spas. A wide array of services, including hydrotherapy, facial treatment, body care and skin care analysis, are provided in all the spas, while skin care analysis is widely available at the concessionary counters in department stores.

On group basis, a total of 139 new stores were opened and 75 stores were closed during 2011, with a net increase of 107 stores in PRC. The closures were mainly due to violations of franchise terms or failure to achieve minimum sales targets by franchisees. Through the elimination of these non-compliant stores, a well-managed and coherent franchise network is being maintained by the Group ensuring a consistent service quality for consumers.

Average sales per store in 2011 improved strongly from HK$312,000 in 2010 to HK$396,000 in 2011. Average sales per store in PRC in 2011 increased by 30.8% to HK$416,000. In Taiwan, average sales per store also increased by 13.4% to HK$331,000 in 2011.

Research and Development

The Group puts significant emphasis on research and development which allows it to maintain its competitive edge as well as improve the quality of its existing products and develop new products. The Group has been collaborating with overseas skin-care companies on technological development. The biotechnology materials the Group uses for its NB products are imported from Europe, Japan and Australia. The Group's research and development team comprises a number of overseas consultants with experience and expertise in cosmetics, medical, pharmacy and bio-chemistry. NB's products are constantly enhanced and modified by the application of new ingredients developed by the team. The Group draws on its collaboration of experts with different expertise and experiences, together with Dr. Tsai's 40-year-plus industry experience and knowledge to continue to create high-quality beauty and skin care products. NB principally uses natural ingredients to manufacture products and adopts special formulae to cater to the specific needs of women with delicate skin. NB's products accommodate the natural metabolism of skin with long-lasting effects.

NB has collaborated with a leading researcher in the field of human genome and stem cell technology for the development of an anti-aging NB-1 product family and other products for spot removal, whitening, allergy-resistance and slimming. The stem cell technology is patented in the United States to protect the uniqueness of the NB-1 products.

New Products

The Group's flagship NB-1 products family includes anti-aging NB-1 series, NB-1 Whitening series, NB-1 anti-allergy, NB-1 pore refining series, etc. During 2011, over 520,000 sets/bottles (361,000 sets/bottles in 2010) of NB-1 family products were sold with turnover aggregating HK$231.8 million (HK$180.4 million in 2010) and accounting for more than one-third of the Group's total product sales recorded in 2011.

During 2011, the Group continued to enrich this product portfolio and launched 9 new skin care products, 6 new products for the aroma-therapeutic line and 5 new health supplements in the PRC.

The Group received 11 beauty awards in 2011 recognizing its achievements in branding, products, new concepts stores as well as operation management.

Human Resources

As at 31 December 2011, the Group had a total of 804 employees, of whom 670 were based in the PRC, 126 in Taiwan and 8 in other countries and regions. Total remuneration (excluding directors' emoluments) in 2011 was approximately HK$ 145.2 million (HK$122.6 million in 2010), including retirement benefit related costs of HK$17.2 million (HK$14.2 million in 2010) and stock option expenses of HK$30.1 million. Employee productivity (sales per employee) surged by 43.6% from HK$512,000 in 2010 to HK$735,000 in 2011. Competitive remuneration packages are maintained to attract, retain and motivate capable staff members and are reviewed on a regular basis.

The Group maintains good relations with its employees and is committed to their training and development. Professional training courses are offered to beauticians employed by the Group and to franchisees on a regular basis.

In addition, the Group granted stock options to certain employees on 4 April 2011 to subscribe for a maximum of 90,895,381 shares which will be vested in a ratio of 40%, 20%, 20% and 20% over a four-year period subject to the grantees achieving certain performance targets. This resulted in HK$30.1 million in stock option expense for 2011.

Capital Expenditures

The Group's major capital expenditure in 2011 related to its self-owned spas and refurbishment work for its offices, IT infrastructure and machinery in its factories. Fixed assets increased by HK$50.7 million in 2011 (HK$37.2 million in 2010), mainly representing the expansion of its new factory in the PRC amounting to approximately HK$12.8 million, upgrades to its PRC training center and office amounting to approximately HK$14.5 million, upgrades to its PRC and Taiwan IT system amounting to approximately HK$4.5 million and the renovation of the self-owned spas and counters amounting to approximately HK$7.5 million.

In December 2010, the Group moved its old Fengxian (Shanghai) skin care plant to a new industrial development zone within Fengxian. The new plant received GMP certification in January 2012 and will greatly facilitate the Group's plan to upgrade the quality of its skin care products. Meanwhile, with the new production floor layout and consolidation in production capacity, production productivity will also improve. The new plant commenced production in the first quarter of 2011.

OUTLOOK

As the PRC Government accelerates its efforts to stimulate greater domestic consumption, the country's urbanization will continue and the rapid growth of disposable income per capita in the urban population is expected to be maintained. Given this, despite high inflation and rising labor costs, the Group believes the beauty and spa market in the PRC will continue to grow in 2012.

Based on the successful launch of its new concept stores in 2010, the Group will continue to focus on adding more stores in tier 3 and tier 4 cities in the PRC, and launching new concept stores in Taiwan market next few years.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders.

Accordingly, the Board has established the audit committee, the remuneration committee and the nomination committee with defined terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code on Corporate Governance") as set out in Appendix 14 to the Listing Rules. These committees are chaired by non-executive directors.

Audit Committee

Dr. Su Chien-Cheng resigned as a member of the audit committee of the Company with effect from 15 December 2011. The Audit Committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The audited financial statements of the Company for the year ended 31 December 2011 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

Remuneration Committee

Mr. Francis Goutenmacher and Mr. Yang Tze-Kaing were appointed as the members of the remuneration committee of Natural Beauty with effect from 15 December 2011. Dr. Su Sh-Hsyu and Mr. Gregory Michael Zeluck resigned as the members of the remuneration committee of the Company with effect from 15 December 2011. The remuneration committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

Nomination Committee

The Company established a nomination committee on 15 December 2011. Mr. Yang Tze-Kaing, an independent non-executive director, was nominated as the Chairman of the committee and Dr. Tsai Yen-Yu, Mr. Patrick Thomas Siewert, Mr. Francis Goutenmacher, Ms. Su-Mei Thompson and Mr. Chen Ruey-Long were appointed as members of the commitee. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and make recommendation to the Board on selection of candidates for directorships.

No meeting was held by the nomination committee during the year ended 31 December 2011 since its formation on 15 December 2011.

Compliance with the Code on Corporate Governance Practices

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the year ended 31 December 2011, except for the following deviations:

Code provision A4.1

This code provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Gregory Michael ZELUCK, Mr. Patrick Thomas SIEWERT, Ms. NG Shieu Yeing Christina, Ms. FENG Janine Junyuan, each a non-executive director of the Company, did not enter into service contracts with the Company as they are employees of Carlyle Asia Investment Advisors Limited, an entity established in Hong Kong. Carlyle Asia Investment Advisors Limited has offices in Hong Kong, Mumbai, Seoul, Beijing, Shanghai, Singapore and Sydney. Carlyle Asia Investment Advisors Limited acts as the Asian investment advisor to various Asian focused investment funds managed by The Carlyle Group.

Code provision E.1.2

This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer's annual general meeting. Dr. Tsai Yen-Yu, the Chairperson of the Company, was unfit to travel under medical advice (due to tooth implant) and was unable to present at the Company's 2011 annual general meeting held on 13 May 2011. The Board had arranged for Mr. Patrick Thomas Siewert, the Vice-Chairman of the Company and a member of the Executive Committee of the Group, who is well versed in all the business activities and operations of the Group, to attend on her behalf and to chair the meeting and to respond to shareholders' questions.

Mr. Francis Goutenmacher and Ms. Su-Mei Thompson, who are the independent non-executive directors of the Company, also attended the AGM.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board of the Company has proposed the payment of a final dividend of HK$0.05 per share (2010: final dividend of HK$0.045 per share) for the year ended 31 December 2011. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 27 June 2012 to the shareholders whose names appear on the register of members of the Company on 25 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 11 May 2012 ("2011 AGM"), the Register of Members of the Company will be closed from Wednesday, 9 May 2012 to Friday, 11 May 2012, both days inclusive. In order to qualify for attending and voting at the 2011 AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 8 May 2012.

(b) For the purpose of determining shareholders who qualify for the final dividend, the Register of Members of the Company will be closed from Thursday, 24 May 2012 to Friday, 25 May 2012, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 May 2012.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

This annual results announcement is also published on the website of the Stock Exchange and that of the Company at www.nblife.com/ir. An annual report of the Company containing all the information required by paragraph 45 of Appendix 16 of the Listing Rules will be despatched to the shareholders and will be published on the website of the Company and that of the Stock Exchange in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs.

Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on ReviewEngagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board
Mr. John Hsin-Sheng TSENG
Chief Executive Officer

As at the date of this announcement, the board of the Company comprises Dr. Tsai Yen-Yu, Mr. Lee Ming-Ta, Dr. Su Chien-Cheng and Dr. Su Sh-Hsyu as executive directors, Mr. Patrick Thomas Siewert, Mr. Gregory Michael Zeluck, Ms. Janine Junyuan Feng and Ms. Christina Shieu Yeing Ng 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.

Hong Kong, 27 March 2012