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 2012

HIGHLIGHTS:

- Turnover decreased by 18.2% to HK$483.4 million.
- Net profit decreased by 37.3% if all stock option expenses and reversal were excluded in both years.
- Final dividend of HK$0.0028 per share (2011: HK$0.05 per share).

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 2012 together with the comparative figures for 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	4	**483,438**	591,295
Cost of sales		**(103,592)**	(122,162)
Gross profit		**379,846**	469,133
Other income	6	**20,641**	18,027
Distribution and selling expenses		**(189,581)**	(197,106)
Administrative expenses			
– Reversal (expense) of share based payment		**28,031**	(30,154)
– Other administrative expenses		**(73,083)**	(78,463)
Other expenses		**(10,603)**	(7,790)
Profit before tax		**155,251**	173,647
Income tax expense	7	**(36,143)**	(58,475)
Profit for the year	8	**119,108**	115,172
Other comprehensive income:			
Exchange differences arising on translation		**9,094**	20,393
Total comprehensive income for the year		**128,202**	135,565
Profit (loss) for the year attributable to:			
Owners of the Company		**119,268**	115,123
Non-controlling interests		**(160)**	49
		119,108	115,172
Total comprehensive income (expense) attributable to:			
Owners of the Company		**128,357**	135,531
Non-controlling interests		**(155)**	34
		128,202	135,565
Earnings per share	10		
Basic		**HK6.0 cents**	HK5.8 cents
Diluted		**HK6.0 cents**	HK5.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties		**5,962**	5,117
Property, plant and equipment		**272,762**	261,106
Prepaid lease payments		**9,465**	9,710
Goodwill		**27,643**	27,507
Deposit paid for acquisition of land use right		**12,303**	–
Available-for-sale investments		**–**	–
Deferred taxation assets		**684**	–
		328,819	303,440
Current assets			
Inventories		**67,427**	40,260
Trade and other receivables	*11*	**55,071**	55,891
Prepaid lease payments		**302**	300
Pledged bank deposits		**–**	443
Bank balances and cash		**432,441**	558,292
		555,241	655,186
Current liabilities			
Trade and other payables	*12*	**115,327**	135,832
Deferred income		**5,927**	6,476
Taxation payable		**4,704**	12,802
		125,958	155,110
Net current assets		**429,283**	500,076
Total assets less current liabilities		**758,102**	803,516
Non-current liabilities			
Retirement benefit obligations		**10,106**	10,009
Deferred taxation liabilities		**–**	5,322
		10,106	15,331
		747,996	788,185
Capital and reserves			
Share capital		**200,210**	200,210
Reserves		**547,973**	587,794
Equity attributable to owners of the Company		**748,183**	788,004
Non-controlling interests		**(187)**	181
Total equity		**747,996**	788,185

Notes:

1. GENERAL

The Company is a public limited company 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 parent and ultimate parent are Standard Cosmos Limited and Starsign International 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 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 amendments to standards issued by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to 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.

Amendments to HKAS 12 Deferred Tax: Recovery Underlying Assets

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that all of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

New and revised HKFRSs issued by not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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.

Key requirements of HKFRS 9 are described as follows:

- All recognised 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 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.

- 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities, however it is not practicable to provide a reasonable estimate of that effect until 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 2012) and HKAS 28 (as revised in 2012).

Key requirements of these five standards are described below.

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* 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the translational guidance, 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 directors anticipate that the application of these five standards will have no material effect to the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

HKAS 19 (as revised in 2012) 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 and accelerate the recognition of past service costs. 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. The directors anticipate that the application of 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 are currently assessing the impact on the adoption of these standards and is yet to quantity the impact.

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

	2012	2011
	HK$'000	*HK$'000*
Sales of goods	**479,592**	584,715
Service income	**3,846**	6,580
	483,438	591,295

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 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 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 2012

	PRC	Taiwan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**379,582**	**97,516**	**6,340**	**483,438**
Segment profit (loss)	**114,099**	**31,487**	**(4,173)**	**141,413**
Reversal of share based payment				**28,031**
Unallocated corporate expenses				**(21,241)**
Unallocated income				**7,048**
Profit before tax				**155,251**

For the year ended 31 December 2011

	PRC	Taiwan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	473,234	110,503	7,558	591,295
Segment profit (loss)	187,248	34,925	(4,224)	217,949
Expense of share based payment				(30,154)
Unallocated corporate expenses				(23,152)
Unallocated income				9,004
Profit before tax				173,647

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.

Other segment information

	PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Segment and consolidated total *HK$'000*
2012				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**26,877**	**6,293**	**45**	**33,215**
Release of prepaid lease payments	**302**	**–**	**–**	**302**
Loss on disposal of property, plant and equipment	**2,468**	**1,571**	**–**	**4,039**
Allowance (reversal of allowance) for obsolete inventories	**8,440**	**363**	**(115)**	**8,688**
Reversal of allowance on trade receivables	**–**	**(228)**	**–**	**(228)**

	PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Segment and consolidated total *HK$'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)

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:

	2012	2011
	HK$'000	*HK$'000*
The PRC	**268,146**	246,371
Taiwan	**59,752**	56,807
Others	**921**	262
	328,819	303,440

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 2011 and 2012.

6. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest on bank deposits	**7,048**	9,004
Rental income from investment properties	**150**	152
Rental income from other properties and equipment	**2,946**	1,266
Financial refunds *(Note)*	**6,892**	5,569
Increase in fair value of investment properties	**653**	–
Others	**2,952**	2,036
	20,641	18,027

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.

7. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
The charge comprises:		
Taxation in PRC		
Current year	**18,396**	26,581
Underprovision in prior years	**1,190**	4,732
Withholding tax on dividends	**17,703**	16,190
	37,289	47,503
Taxation in Taiwan		
Current year	**5,840**	6,323
(Over)underprovision in prior years	**(1,578)**	174
	4,262	6,497
Taxation in Hong Kong		
Current year	**895**	1,018
Overprovision in prior years	**(451)**	–
	444	1,018
Deferred taxation		
Current year	**(5,852)**	3,457
	36,143	58,475

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, dividend withholding tax is imposed at a rate of 10% 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$17,703,000 (2011: HK$16,190,000) was recognised.

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.

8. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**5,589**	5,498
Other staff salaries and allowances	**98,588**	97,927
Retirement benefits scheme contributions, excluding directors:		
– defined contribution plans	**18,092**	16,689
– defined benefit plan	**506**	468
(Reversal) expense of share based payment	**(28,031)**	30,154
Total staff costs	**94,744**	150,736
Depreciation of property, plant and equipment	**33,215**	23,233
Release of prepaid lease payments	**302**	296
Auditor's remuneration	**3,365**	3,099
Loss on disposal of property, plant and equipment	**4,039**	3,176
Research and development costs	**3,469**	3,250
Allowance for obsolete inventories, included in cost of sales	**8,688**	2,797
Cost of inventories recognised as an expense	**94,904**	119,365
Net exchange loss	**3,074**	1,154
Reversal of allowance on trade receivables	**(228)**	(972)
(Reversal of) write off of trade receivables	**(198)**	1,811
Advertising and promotion expenses	**48,069**	56,467

9. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend, paid – HK$0.020 per share (2011: HK$0.035 per share)	**40,042**	70,074
Final dividend, paid – HK$0.050 per share for 2011 (2011: HK$0.045 per share for 2010)	**100,118**	90,094
	140,160	160,168

A final dividend of HK$0.0028 per share in respect of the year ended 31 December 2012 (2011: final dividend of HK$0.050 per share in respect of the year ended 31 December 2011), amounting to HK$5,606,000 (2011: HK$100,105,000) 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$119,268,000 (2011: HK$115,123,000) and on the number of 2,002,100,932 (2011: 2,002,100,932) ordinary shares of the Company in issue during the year.

The computation of diluted earnings per share for 2012 and 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 both years.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**24,661**	27,941
Less: allowance for doubtful debts	**(1,338)**	(1,634)
	23,323	26,307
Prepayments	**12,135**	9,838
Other receivables	**19,613**	19,746
Total trade and other receivables	**55,071**	55,891

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, which approximated the revenue recognition dates, at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
Within 180 days	**23,319**	26,307
181 days to 365 days	**4**	–
	23,323	26,307

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**18,005**	22,349
Deposits from customers	**30,815**	24,451
Other tax payables	**8,009**	8,608
Other payables	**58,498**	80,424
Total trade and other payables	**115,327**	135,832

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

	2012	2011
	HK$'000	*HK$'000*
Within 180 days	**14,000**	22,349
181 days to 365 days	**4,005**	–
	18,005	22,349

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover by geographical region	2012		2011		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	**379,582**	**78.5%**	473,234	80.0%	(93,652)	-19.8%
Taiwan	**97,516**	**20.2%**	110,503	18.7%	(12,987)	-11.8%
Others	**6,340**	**1.3%**	7,558	1.3%	(1,218)	-16.1%
Total	**483,438**	**100.0%**	591,295	100.0%	(107,857)	-18.2%

Turnover of the Group in 2012 decreased by 18.2% to HK$483.4 million compared with HK$591.3 million in 2011. The decline was mainly due to a HK$105.1 million decline in product sales, largely influenced by the economic downturn, weak consumer market in the PRC and Taiwan, and intensified competition in the spa industry.

Turnover in the PRC market decreased by 19.8% from HK$473.2 million in 2011 to HK$379.6 million in 2012, whereas turnover in the Taiwan market declined from HK$110.5 million in 2011 to HK$97.5 million in 2012.

Sales in other regions, including Hong Kong, Malaysia and Macau, decreased 16.1% from HK$7.6 million in 2011 to HK$6.3 million in 2012. Contributions of these regions to the Group's turnover remained insignificant, which accounted for 1.3% only.

The Group's overall gross profit margin declined mildly from 79.3% in 2011 to 78.6% in 2012 due to cost inflation.

Turnover by activities	**2012**	2011	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
Products				
PRC	**378,145**	471,310	(93,165)	-19.8%
Taiwan	**95,107**	106,021	(10,914)	-10.3%
Others	**6,340**	7,384	(1,044)	-14.1%
Total	**479,592**	584,715	(105,123)	-18.0%
Services				
PRC	**1,437**	1,924	(487)	-25.3%
Taiwan	**2,409**	4,482	(2,073)	-46.3%
Others	**–**	174	(174)	-100.0%
Total	**3,846**	6,580	(2,734)	-41.6%

Turnover by activities	**2012**		2011		Changes	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Products	**479,592**	**99.2%**	584,715	98.9%	(105,123)	-18.0%
Services	**3,846**	**0.8%**	6,580	1.1%	(2,734)	-41.6%
Total	**483,438**	**100.0%**	591,295	100.0%	(107,857)	-18.2%

Products

The Group is principally engaged in manufacturing and sales of a range of products, including skin care, beauty, aroma-therapeutic products, health supplements and make-up products under the "Natural Beauty" brand. Product sales are the Group's key revenue source and primarily come from franchised spas, self-owned spas and concessionary counters at department stores. Product sales in 2012 amounted to HK$479.6 million, or 99.2% of the Group's total revenue, representing a decrease of HK$105.1 million when compared with sales of HK$584.7 million or 98.9% of the Group's total revenue in 2011. The decrease in product sales was mainly attributable to the decline of HK$93.2 million in sales in the PRC market.

Service income	2012		2011		Changes	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Training income	**222**	**5.8%**	134	2.0%	88	65.7%
SPA service income	**2,682**	**69.7%**	5,012	76.2%	(2,330)	-46.5%
Others	**942**	**24.5%**	1,434	21.8%	(492)	-34.3%
Total	**3,846**	**100.0%**	6,580	100.0%	(2,734)	-41.6%

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 2012, service income decreased by 41.6% to HK$3.8 million compared with HK$6.6 million in 2011. The decrease was mainly due to the closure of one self-owned spa and renovation for another self-owned spa in China during 2012.

Other income

Other income increased by 14.5%, or HK$2.6 million, to HK$20.6 million from HK$18.0 million in 2011. Other income was mainly comprised of rental income from other properties, interest income and financial refunds, amounting to HK$2.9 million, HK$7.0 million and HK$6.9 million respectively in 2012.

Distribution and administrative expenses

Distribution and selling expenses as a percentage of the Group's turnover increased to 39.2% in 2012 compared with 33.3% in 2011. Total expenses decreased by HK$7.5 million from HK$197.1 million in 2011 to HK$189.6 million in 2012. During 2012, the Group used TV commercials, magazines, outdoor advertising and the Internet (websites and blogs) to drive sell-through of its inventory. Advertising and promotion expenses decreased by HK$8.4 million from HK$56.5 million in 2011 to HK$48.1 million in 2012. Other key expenses included salaries, travel and entertainment expenses, depreciation charges as well as rentals of offices and sales counters, which amounted to HK$60.3 million, HK$10.8 million, HK$12.6 million and HK$35.1 million respectively in 2012.

Total administrative expenses decreased by HK$63.6 million to HK$45.1 million in 2012. The decrease in administrative costs in 2012 was mainly because of a reversal of non-cash stock option expenses charged in previous year amounted to HK$29.2 million. Other administrative expenses comprised non-cash stock option expenses charged in 2012 of HK$1.2 million, staff costs and retirement benefits of HK$27.3 million, legal and professional fees of HK$4.6 million, travelling expenses of HK$2.9 million, depreciation charges of HK$11.9 million and office and utilities expenses of HK$5.9 million.

Other expenses

Other expenses increased from HK$7.8 million in 2011 to HK$10.6 million in 2012, representing an increase of HK$2.8 million. Other expenses mainly include foreign exchange loss of HK$3.1 million and loss on disposal of property, plant and equipment amounted to HK$4.0 million during the year.

Profit before taxation

Taking into account the decrease in gross profit, lower distribution and selling expenses, administrative expenses, and increased other income and other expenses, profit before tax decreased by 10.6% from HK$173.6 million in 2011 to HK$155.3 million in 2012.

Taxation

Taxation expenses decreased 38.2% from HK$58.5 million in 2011 to HK$36.1 million in 2012. The effective tax rates of the Group in 2011 and 2012 were 33.7% and 23.3% respectively. The low effective tax rate in 2012 was due to the reversal of stock option expenses charged in the previous year amounting to HK$29.2 million. If the stock option expenses were excluded in each of 2011 and 2012, the effective tax rate of both years would stood at around 29%.

Profit for the year

Profit for the year increased by 3.4% from HK$115.2 million in 2011 to HK$119.1 million in 2012. Profit for the year would have dropped by 37.3% if all non-cash stock option expenses and reversal were excluded in both years, from HK$145.3 million in 2011 to HK$91.1 million in 2012.

Liquidity and financial resources

Cash generated from operating activities in 2012 was approximately HK$59.5 million (HK$170.4 million in 2011). The decline was mainly due to the decline in sales and changes in working capital (increase in inventory while decrease in other payables). As at 31 December 2012, the Group had bank balances and cash of approximately HK$432.4 million (HK$558.3 million as at 31 December 2011) with no external bank borrowing.

In terms of gearing, as at 31 December 2011 and 31 December 2012, 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 2011 and 31 December 2012 were 4.2 times and 4.4 times respectively. As at 31 December 2012, 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 which are required pursuant to a tenancy agreement for one of its wholly-owned subsidiaries in relation to a self-owned store in Macau. With the termination of tenancy agreement, the charge was released in 2012.

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 2012, approximately 70.9% (81.5% as at 31 December 2011) of the Group's bank balances and cash was denominated in Renminbi, while approximately 21.3% (14.9% as at 31 December 2011) in New Taiwan Dollars. The remaining 7.8% (3.6% as at 31 December 2011) was denominated in US Dollars, Hong Kong Dollars and Ringgit Malaysia. The Group continues to adopt a conservative approach in the management of foreign exchange risks. It reviews its foreign exchange risks periodically and uses derivatives to hedge against such risks whenever necessary.

BUSINESS REVIEW

Turnover by geographic region	2012	2011	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
PRC				
Products	**378,145**	471,310	(93,165)	-19.8%
Services	**1,437**	1,924	(487)	-25.3%
PRC Total	**379,582**	473,234	(93,652)	-19.8%
Taiwan				
Products	**95,107**	106,021	(10,914)	-10.3%
Services	**2,409**	4,482	(2,073)	-46.3%
Taiwan Total	**97,516**	110,503	(12,987)	-11.8%
Others				
Products	**6,340**	7,384	(1,044)	-14.1%
Services	**–**	174	(174)	-100.0%
Others Total	**6,340**	7,558	(1,218)	-16.1%

The PRC Market

Turnover in the market decreased by 19.8% in 2012 to HK$379.6 million compared with HK$473.2 million in 2011. The decline was mainly due to the deteriorating retail and economic environments. Gross margin on product sales decreased from 83.0% in 2011 to 80.7% in 2012, as a result of (1) an inventory write-off, which amounted to HK$6.7 million, due to repackaging of products and the formula upgrades; (2) the lower sales mix of NB-1 and Yam products which have higher margins and (3) costs inflated significantly during 2012.

The Taiwan Market

Turnover for the Taiwan market also declined by 11.8% from HK$110.5 million in 2011 to HK$97.5 million in 2012 amid a slowdown in retail sales and economic growth. Gross margin on product sales decreased from 83.1% in 2011 to 80.9% in 2012 due to the lower sales mix of NB-1 and Yam products which have higher margins and inflated costs during the year.

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 2012							
Taiwan	292	3	295	–	–	–	295
PRC	1,128	1	1,129	19	25	44	1,173
Others	30	–	30	–	–	–	30
Total	1,450	4	1,454	19	25	44	1,498

Store Number by Ownership	Franchisee owned	Entrusted	Self owned	Total
As at 31 December 2012				
Taiwan	292	–	3	295
PRC	1,128	19	26	1,173
Others	30	–	–	30
Total	1,450	19	29	1,498

Average sales per store	2012 Average store *	2011 Average store *	2012 Average sales per store	2011 Average sales per store	Changes	
			HK$	*HK$*	*HK$*	%
PRC	**1,182.5**	1,138.5	**321,000**	416,000	(95,000)	-22.8%
Taiwan	**304.0**	334.0	**321,000**	331,000	(10,000)	-3.0%
Group total **	**1,486.5**	1,472.5	**321,000**	396,000	(75,000)	-18.9%

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

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

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters at department stores. As at 31 December 2012, there were 1,454 spas and 44 concessionary counters. Of these, 1,450 were franchised spas, 4 spas and 25 concessionary counters were directly operated by the Group. 19 concessionary counters were entrusted to reputable operators. Franchised spas are owned by the franchisees who are responsible for the capital investment in these spas. They are obliged to use only Natural Beauty or "NB" 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 at department stores.

Group-wide, a total of 136 new stores were opened and 176 stores were closed during 2012. Average sales per store in 2012 decreased from HK$396,000 in 2011 to HK$321,000 in 2012.

Average sales per store in the PRC in 2012 decreased by 22.8% to HK$321,000. In Taiwan, average sales per store decreased by 3% to HK$321,000 in 2012.

Research and Development

The Group puts significant emphasis on research and development, which enables it to maintain its competitive edge, to continuously improve the quality of its existing products and develop new products. The Group has been collaborating with overseas skin-care companies on technological advancement. 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, medicine, 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-plus-year 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 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 product family includes the anti-aging NB-1 series, NB-1 Whitening series, NB-1 anti-allergy and NB-1 pore refining series. During 2012, over 422,000 sets/bottles (520,000 sets/bottles in 2011) of NB-1 family products were sold with turnover amounting to HK$171.8 million (HK$231.8 million in 2011) and accounting for more than one - third of the Group's total product sales recorded in 2012.

During 2012, the Group continued to enrich this product portfolio and launched 13 new skin care products, 8 new products for the aroma-therapeutic line, 2 new collagen drinks within its food supplements business and 12 new NB-1 products in the PRC. The collagen drinks have generated sales of HK$12.3 million since their launch in October 2012.

Human Resources

As at 31 December 2012, the Group employed a total of 786 employees, of whom 663 were based in the PRC, 116 in Taiwan and 7 in other countries and regions. Total remuneration (excluding directors' emoluments) during 2012 was approximately HK$89.2 million (HK$145.2 million in 2011), including retirement benefit related costs of HK$18.6 million (HK$17.2 million in 2011), reversal of stock option expenses of HK$29.2 million charged in previous year and stock option expenses of HK$1.2 million (HK$30.1 million 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 key employees on 4 April 2011 to subscribe for a maximum of 90,895,381 shares which would vest in a ratio of 40%, 20%, 20% and 20% over a four-year period subject to the grantees achieving certain performance targets. During 2012, the Group reversed HK$29.2 million of the 1-year unvested share option expenses in 2011 and lapsed options for the employees who resigned in 2012. Share option expenses for the remaining grantees charged in 2012 amounted to HK$1.2 million (HK$30.1 million in 2011).

Capital Expenditures

The Group's major capital expenditure during 2012 related to its self-owned spas and refurbishment work for its offices, IT infrastructure and machinery in its factories. Fixed assets increased by HK$48.9 million in 2012 (HK$50.7 million in 2011), mainly representing the expansion of its new factory in the PRC amounting to approximately HK$9.2 million, furniture, signage and IRIS system provided to New Concept Stores amounting to HK$17.6 million, upgrades to its PRC and Taiwan IT system amounting to approximately HK$10.4 million and the renovation of self-owned spas, counters and branches amounting to approximately HK$10.6 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, greatly facilitating the Group's plans to upgrade the quality of its skin care products as well as improving productivity with new production floor layout and consolidation in production capacity.

OUTLOOK

After the 18th National People's Congress of the Chinese Communist Party, the government's plan for urbanization and household income growth should continue to fuel the long-term growth of China's domestic consumption which will be positive for the consumer market. However, results in short term are expected to remain volatile.

As such, we will continue to pursue a prudent growth strategy and implement the following strategies so as to proactively strengthen our position as a leading skin care brand and spa operator in the Greater China Region.

- We will focus on increasing the productivity of our existing franchisees as our major growth driver in the near term through the addition of new outlets based on our NCS store strategy to increase our scale.

- We will enhance our operational efficiency by streamlining our organisational structure, implementing a more integrated go-to-market process and improving our cost-controls measures.

- We will focus our marketing and promotional efforts on enabling more sell-through by our franchisees.

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 Sh-Hsyu was appointed as a member of the audit committee of the Company with effect from 7 February 2013. 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 2012 have been reviewed by the audit committee which 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

Dr. Su Chien-Cheng was appointed as a member of the remuneration committee of the Company with effect from 7 February 2013. Dr. Tsai Yen-Yu resigned as a member of the remuneration committee of the Company with effect from 7 February 2013. 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 nomination committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendation to the Board on the selection of candidates for directorships.

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 2012, except for the following deviations:

Code provision A.2.7

This code provision stipulates that the chairman should at least hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. The Chairman is also an executive director of the Company. All independent non-executive directors are members of Audit Committee, Remuneration Committee, Nomination Committee and two independent non-executive directors are also members of the Executive Committee. It was considered there were ample opportunities for the directors to communicate.

Code provision A.4.1

This code provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Patrick Thomas Siewert, Ms. Ng Shieu Yeing Christina, Ms. Feng Janine Junyuan, Mr. Poon Yee Man Alwin, 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 a tooth implant) and was unable to be present at the Company's 2012 annual general meeting held on 11 May 2012. The Board arranged for Mr. Patrick Thomas Siewert, the Vice-Chairman of the Company and the Chairman 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, Ms. Su-Mei Thompson and Mr. Chen Ruey-Long, 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$0.0028 per share (2011: final dividend of HK$0.050 per share) for the year ended 31 December 2012. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 25 July 2013 to the shareholders whose names appear on the register of members of the Company on 24 May 2013.

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 10 May 2013 ("2012 AGM"), the Register of Members of the Company will be closed from 8 May 2013 to 9 May 2013, both days inclusive. In order to qualify for attending and voting at the 2013 AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 7 May 2013.

(b) For the purpose of determining shareholders who qualify for the final dividend, the Register of Members of the Company will be closed from 23 May 2013 to 24 May 2013, 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 22 May 2013.

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 2012 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 Review Engagements 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
Natural Beauty Bio-Technology Limited

As at the date of this announcement, the Board comprises Dr. Tsai Yen-Yu, Mr. Lee Ming-Ta and Dr. Su Chien-Cheng as executive directors, Mr. Patrick Thomas Siewert, Ms. Janine Junyuan Feng, Ms. Christina Shieu-Yeing Ng, Mr. Poon Yee Man Alwin and Dr. Su Sh-Hsyu 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, 19 March 2013