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自然美  
natural beauty

Natural Beauty Bio-Technology Limited

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock code: 00157)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016**

### **HIGHLIGHTS:**

- Turnover decreased by 9.4% to HK\$240,255,000.
- Net profit increased by 5.8% to HK\$82,943,000.
- Interim dividend for the six months ended 30 June 2016 of HK\$0.041 per share (2015 interim dividend: HK\$0.0392 per share) and special interim dividend of HK\$0.025 per share.

### **RESULTS**

The board of directors (the “**Board**”) of Natural Beauty Bio-Technology Limited (“**Natural Beauty**” or the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the first half of 2015, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(With comparatives for the six months ended 30 June 2015)

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>240,255</b>	265,056
Cost of sales		<b>(57,517)</b>	(58,665)
Gross profit		<b>182,738</b>	206,391
Other income		<b>26,001</b>	14,030
Distribution and selling expenses		<b>(55,920)</b>	(83,874)
Administrative expenses		<b>(33,633)</b>	(41,195)
Other expenses		<b>(7,442)</b>	(828)
Profit before tax		<b>111,744</b>	94,524
Income tax expense	4	<b>(28,801)</b>	(16,125)
Profit for the period	5	<b>82,943</b>	78,399
<b>Other comprehensive expense:</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<b>(9,749)</b>	(6,915)
Total comprehensive income for the period		<b>73,194</b>	71,484
Profit for the period attributable to:			
Owners of the Company		<b>82,943</b>	78,399
Total comprehensive income attributable to:			
Owners of the Company		<b>73,194</b>	71,484
Earnings per share	7		
Basic and diluted		<b>HK4.14 cents</b>	HK3.92 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2016

(With comparatives at 31 December 2015)

		At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		6,686	6,524
Property, plant and equipment		182,218	187,351
Prepaid lease payments		51,087	53,796
Goodwill		26,469	27,046
Pledged bank deposits		3,567	3,662
Deferred tax assets		–	608
		<u>270,027</u>	<u>278,987</u>
<b>Current assets</b>			
Inventories		48,483	46,905
Trade and other receivables	8	68,400	54,046
Prepaid lease payments		1,179	447
Pledged bank deposits		–	5,491
Bank balances and cash		563,779	502,721
		<u>681,841</u>	<u>609,610</u>
<b>Current liabilities</b>			
Trade and other payables	9	103,456	117,484
Deferred income		6,465	6,593
Taxation payable		28,503	19,560
Dividend payable	6	58,461	–
		<u>196,885</u>	<u>143,637</u>
<b>Net current assets</b>		<u>484,956</u>	<u>465,973</u>
<b>Total assets less current liabilities</b>		<u>754,983</u>	<u>744,960</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,429	–
Retirement benefit obligations		6,193	12,332
		<u>747,361</u>	<u>732,628</u>
<b>Capital and reserves</b>			
Share capital		200,210	200,210
Reserves		547,151	532,418
<b>Total equity</b>		<u>747,361</u>	<u>732,628</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(With comparatives for the six months ended 30 June 2015 and as of 31 December 2015)

(Expressed in thousands of Hong Kong dollars (HK\$'000) unless otherwise stated)

### 1. BASIS OF PREPARATION

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

### 2. SEGMENT INFORMATION

#### Segment revenues and results

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

Six months ended 30 June 2016

	The People's Republic of China (“PRC”) (unaudited) HK\$'000	Taiwan (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from external customers	<u>194,431</u>	<u>44,378</u>	<u>1,446</u>	<u>240,255</u>
Segment profit (loss)	<u>98,338</u>	<u>16,459</u>	<u>(4,064)</u>	<u>110,733</u>
Unallocated corporate expenses				(2,645)
Unallocated income				<u>3,656</u>
Profit before tax				<u>111,744</u>

Six months ended 30 June 2015

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

## 2. SEGMENT INFORMATION – continued

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

## 3. 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 period, and is analysed as follows:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sales of goods	237,659	262,087
Service income	2,596	2,969
	<u>240,255</u>	<u>265,056</u>

## 4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Taxation in PRC		
Current period	19,734	19,620
Overprovision in prior years	–	(2,188)
	<u>19,734</u>	<u>17,432</u>
Taxation in Taiwan and other jurisdictions		
Current period	5,320	5,219
Overprovision in prior years	(1,926)	(1,936)
Withholding tax on dividends	3,621	2,120
Tax refund of changing tax rate	–	(13,641)
	<u>7,015</u>	<u>(8,238)</u>
Deferred taxation		
Current period	2,052	6,931
	<u>28,801</u>	<u>16,125</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The statutory withholding tax rate for non-PRC resident is 10%. As the Company has obtained tax benefit approval from the in-charge tax bureau in 2014, which stipulate that the withholding tax rate for Natural Beauty China Holding Limited could be reduced to 5% for the dividend income from July 2011 to June 2017 and 7% for royalty fee from January 2012 to June 2016. Thus, during the six months period ended 30 June 2015, the tax authority returned the prior years' over-paid taxes accordingly and disclosed as tax refund of changing tax rate. There was no tax refund received during the six months period ended 30 June 2016.

#### 4. INCOME TAX EXPENSE – continued

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 5% and 20% on dividends declared in respect of profits earned by PRC and Taiwan subsidiaries respectively that are received by non-local resident entities. Withholding tax on dividends of approximately HK\$3,621,000 (2015: HK\$2,120,000) for Taiwan was recognised.

The PRC tax bureau initiated a tax audit on the PRC tax affairs of a PRC subsidiary of the Group for the years 2012 and 2013. During the year ended 31 December 2015, the PRC tax bureau concluded on the tax audit for the said years.

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

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

#### 5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	11,462	18,025
Release of prepaid lease payments	600	156
Total staff cost including share based payment expenses	55,569	63,650
Loss on disposal of property, plant and equipment	1,646	15
Allowance for trade receivables	1,016	1,911
Allowance for obsolete inventories, included in cost of sales	1,582	2,265
Exchange loss (gain)	4,511	(1,501)
Compensation income arising from termination of an tenancy agreement	(19,097)	–
Interest income on bank deposits	(3,656)	(6,818)
	<u>          </u>	<u>          </u>

#### 6. DIVIDENDS

At the annual general meeting of the Company held on 25 May 2016, a final dividend of HK\$0.0292 per share in respect of the year ended 31 December 2015 (2015: HK\$0.03188 per share in respect of the year ended 31 December 2014) was declared to be payable to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to approximately HK\$58,461,000 and is recognised as dividend payable as of 30 June 2016 (2015: HK\$63,827,000 was recognised as dividend payable in the interim period).

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HK\$0.041 per share (2015: HK\$0.0392 per share) and a special interim dividend of HK\$0.025 per share will be paid to the owners of the Company whose names appear on the Register of Members of the Company on 21 September 2016.

#### 7. 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\$82,943,000 for the six months ended 30 June 2016 (2015: HK\$78,399,000) and on the number of 2,002,100,932 (2015: 2,002,100,932) ordinary shares of the Company in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for both six months ended 30 June 2016 and 2015.

## 8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period for 30 days (2015: 45 days) to its trade customers. The aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period is as follows:

	At <b>30 June</b> <b>2016</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 December 2015 (audited) <i>HK\$'000</i>
Trade receivables:		
Within credit period	<b>54,793</b>	31,943
Credit period – 180 days	<b>2,665</b>	9,267
	<b>57,458</b>	41,210
Prepayments	<b>7,703</b>	7,016
Other receivables	<b>3,239</b>	5,820
	<b>68,400</b>	54,046

## 9. TRADE AND OTHER PAYABLES

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

	At <b>30 June</b> <b>2016</b> <b>(unaudited)</b> <i>HK\$'000</i>	At 31 December 2015 (audited) <i>HK\$'000</i>
Trade payables:		
Within 90 days	<b>16,076</b>	13,239
91 days to 365 days	<b>171</b>	54
Over 365 days	<b>1,631</b>	1,649
	<b>17,878</b>	14,942
Deposits from customers	<b>29,974</b>	36,798
Other tax payables	<b>12,366</b>	8,476
Accruals	<b>33,717</b>	47,499
Other payables	<b>9,521</b>	9,769
	<b>103,456</b>	117,484

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Turnover by Geographical region	1H 2016		1H 2015		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	194,431	80.9%	216,790	81.8%	(22,359)	-10.3%
Taiwan	44,378	18.5%	46,202	17.4%	(1,824)	-3.9%
Others	1,446	0.6%	2,064	0.8%	(618)	-29.9%
<b>Total</b>	<b>240,255</b>	<b>100.0%</b>	<b>265,056</b>	<b>100.0%</b>	<b>(24,801)</b>	<b>-9.4%</b>

During the six months ended 30 June 2016, turnover of the Group decreased by 9.4% to HK\$240.3 million compared with HK\$265.1 million for the six months ended 30 June 2015. The decline was mainly due to a decrease of HK\$24.4 million in product sales, such segment contributed 98.9% of our total turnover. The key contributing factor behind the decline was HK\$15.7 million of foreign currency translation.

For the six months ended 30 June 2016, turnover in the PRC market decreased by 10.3% from HK\$216.8 million for the six months ended 30 June 2015 to HK\$194.4 million for the same period this year. Turnover in Taiwan market also decreased by 3.9% to HK\$44.4 million compared with HK\$46.2 million for the corresponding period last year.

Sales from other regions, including Hong Kong, Macau and Malaysia, decreased by 29.9% to HK\$1.4 million for the six months ended 30 June 2016. Contribution from these regions remained at an insignificant level of just 0.6% of the Group's total turnover.

The Group's overall gross profit margin declined from 77.9% for the six months ended 30 June 2015 to 76.1% for the six months ended 30 June 2016 due to larger promotion discount during the period under review.

Turnover by Activities	1H 2016		1H 2015		Changes	
	HK\$'000		HK\$'000		HK\$'000	%
<b>Products</b>						
PRC	193,204		215,184		(21,980)	-10.2%
Taiwan	43,009		44,839		(1,830)	-4.1%
Others	1,446		2,064		(618)	-29.9%
<b>Total</b>	<b>237,659</b>		<b>262,087</b>		<b>(24,428)</b>	<b>-9.3%</b>
<b>Services</b>						
PRC	1,227		1,606		(379)	-23.6%
Taiwan	1,369		1,363		6	0.4%
<b>Total</b>	<b>2,596</b>		<b>2,969</b>		<b>(373)</b>	<b>-12.6%</b>



Turnover by Activities	1H 2016		1H 2015		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	237,659	98.9%	262,087	98.9%	(24,428)	-9.3%
Services	2,596	1.1%	2,969	1.1%	(373)	-12.6%
<b>Total</b>	<b>240,255</b>	<b>100.0%</b>	<b>265,056</b>	<b>100.0%</b>	<b>(24,801)</b>	<b>-9.4%</b>

## Products

The Group is principally engaged in the 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 for the six months ended 30 June 2016 amounted to HK\$237.7 million, or 98.9% of the Group’s total revenue, representing a decrease of HK\$24.4 million, or by 9.3%, when compared with sales of HK\$262.1 million, or 98.9% of the Group’s total revenue for the six months ended 30 June 2015. The decrease in product sales was mainly driven by the decrease in turnover in such segment in the PRC market by 10.2% to HK\$193.2 million for the six months ended 30 June 2016 compared with HK\$215.2 million for the corresponding period last year.

Service income	1H 2016		1H 2015		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Training income	194	7.5%	157	5.3%	37	23.6%
Spa service income	2,364	91.1%	2,562	86.3%	(198)	-7.7%
Others	38	1.4%	250	8.4%	(212)	-84.8%
<b>Total</b>	<b>2,596</b>	<b>100.0%</b>	<b>2,969</b>	<b>100.0%</b>	<b>(373)</b>	<b>-12.6%</b>

## 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. During the six months ended 30 June 2016, service income decreased from HK\$3.0 million to HK\$2.6 million, or by 12.6%, compared with the corresponding period last year.

## Other income

Other income increased by HK\$12.0 million, or 85.3%, from HK\$14.0 million for the six months ended 30 June 2015 to HK\$26.0 million for the six months ended 30 June 2016. Other income mainly comprised rental income from other properties, interest income, financial refunds and compensation fee for a PRC subsidiary of HK\$1.3 million, HK\$3.6 million, HK\$1.8 million and HK\$19.3 million respectively during the six months ended 30 June 2016.

## **Distribution and administrative expenses**

Distribution and selling expenses as a percentage of the Group's turnover decreased to 23.3% for the six months ended 30 June 2016 compared with 31.6% for the six months ended 30 June 2015. Total distribution and selling expenses decreased by HK\$28.0 million from HK\$83.9 million for the six months ended 30 June 2015 to HK\$55.9 million for the six months ended 30 June 2016. Advertising and promotion expenses decreased by HK\$9.6 million from HK\$12.6 million for the six months ended 30 June 2015 to HK\$3.0 million for the six months ended 30 June 2016, and the amount as a percentage of the Group's total turnover decreased from 4.8% for the six months ended 30 June 2015 to 1.2% for the six months ended 30 June 2016. Currently, the Group is using larger promotion discount, instead of gifts and free samples. Other key expenses included salaries of HK\$25.1 million, travel and entertainment expenses of HK\$2.2 million, depreciation charges of HK\$2.8 million as well as rentals of offices and sales counters of HK\$7.1 million for the six months ended 30 June 2016.

Total administrative expenses decreased by HK\$7.6 million, or 18.4%, to HK\$33.6 million for the six months ended 30 June 2016 compared with HK\$41.2 million for the six months ended 30 June 2015. Administrative expenses mainly comprised of staff costs and retirement benefits of HK\$10.5 million, legal and professional fees of HK\$3.7 million, depreciation charges of HK\$4.6 million and office and utilities expenses of HK\$2.9 million.

## **Other expenses**

Other expenses increased by HK\$6.6 million from HK\$0.8 million for the six months ended 30 June 2015 to HK\$7.4 million for the six months ended 30 June 2016. Other expenses for the six months ended 30 June 2016 mainly included loss of HK\$1.6 million on disposal of property, plant and equipment, exchange loss of HK\$5.0 million and related expenses of rental property of HK\$0.7 million.

## **Profit before tax**

Taking into account the decrease in gross profit, distribution and selling expenses and administration expenses, and the increase in other income and other expenses, profit before tax increased by 18.2% from HK\$94.5 million for the six months ended 30 June 2015 to HK\$111.7 million for the six months ended 30 June 2016.

## **Taxation**

Taxation expenses increased by HK\$12.7 million from HK\$16.1 million for the six months ended 30 June 2015 to HK\$28.8 million for the six months ended 30 June 2016. The effective tax rate of the Group for the six months ended 30 June 2015 and 2016 was 17.1% and 25.8% respectively. The lower effective tax rate for the six months ended 30 June 2015 was mainly due to HK\$13.6 million tax refund received for 2009/2010 dividend income and 2011 royalty fee which were paid in 2011 and 2012 due to lower withholding tax rate approved by PRC tax bureau during the six months ended 30 June 2015. There was no tax refund received for the six months ended 30 June 2016.

## **Profit for the period**

Profit for the period increased by 5.8% from HK\$78.4 million for the six months ended 30 June 2015 to HK\$83.0 million for the six months ended 30 June 2016.

## Liquidity and financial resources

Cash generated from operating activities for the six months ended 30 June 2016 was approximately HK\$61.0 million (HK\$59.8 million for the six months ended 30 June 2015). The increase was mainly due to compensation fee received by a PRC subsidiary. As at 30 June 2016, the Group had bank balances and cash of approximately HK\$563.8 million (HK\$502.7 million as at 31 December 2015) with no external bank borrowing.

In terms of gearing, as at 31 December 2015 and 30 June 2016, the Group's gearing ratios were zero (defined as bank debt divided by shareholders' equity) as the Group was in a net cash position on both year/period-end dates. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2015 and 30 June 2016 were 4.2 times and 3.5 times respectively. As at 30 June 2016, 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.

## 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 30 June 2016, approximately 83.3% (80.9% as at 31 December 2015) of the Group's bank balances and cash was denominated in Renminbi, while approximately 12.4% (16.6% as at 31 December 2015) in New Taiwan Dollars. The remaining 4.3% (2.5% as at 31 December 2015) was denominated in US Dollars, Hong Kong Dollars and Malaysian Ringgit. 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	1H 2016 HK\$'000	1H 2015 HK\$'000	Changes HK\$'000	%
<b>PRC</b>				
Products	193,204	215,184	(21,980)	-10.2%
Services	1,227	1,606	(379)	-23.6%
<b>PRC Total</b>	<b>194,431</b>	<b>216,790</b>	<b>(22,359)</b>	<b>-10.3%</b>
<b>Taiwan</b>				
Products	43,009	44,839	(1,830)	-4.1%
Services	1,369	1,363	6	0.4%
<b>Taiwan Total</b>	<b>44,378</b>	<b>46,202</b>	<b>(1,824)</b>	<b>-3.9%</b>
<b>Others</b>				
Products	1,446	2,064	(618)	-29.9%
<b>Others Total</b>	<b>1,446</b>	<b>2,064</b>	<b>(618)</b>	<b>-29.9%</b>

## The PRC Market

The Group's turnover in the PRC market decreased by 10.3% for the six months ended 30 June 2016 to HK\$194.4 million compared with HK\$216.8 million for the six months ended 30 June 2015. The decrease was mainly due to a decrease in sales of products and the foreign currency translation factor. Gross margin on product sales decreased from 81.3% for the six months ended 30 June 2015 to 78.6% for the period under review, as a result of larger promotion discount during the period under review.

## The Taiwan Market

The Group's turnover in the Taiwan market also decreased by 3.9% from HK\$46.2 million for the six months ended 30 June 2015 to HK\$44.4 million for the six months ended 30 June 2016. Gross margin on product sales maintained at 80.5% for the period under review compared with 80.0% for the six months ended 30 June 2015.

## Distribution channels

Store Number by Ownership	Franchisee owned Spa	Self- owned Spa	Total Spa	Entrusted Counter	Self- owned Counter	Total Counter	Total
<b>As at 30 June 2016</b>							
PRC	783	1	784	0	14	14	798
Taiwan	247	3	250	0	0	0	250
Others	30	0	30	0	0	0	30
<b>Total</b>	<b>1,060</b>	<b>4</b>	<b>1,064</b>	<b>0</b>	<b>14</b>	<b>14</b>	<b>1,078</b>
	Franchisee owned Spa	Self- owned Spa	Total Spa	Entrusted Counter	Self- owned Counter	Total Counter	Total
<b>As at 30 June 2015</b>							
PRC	807	1	808	0	14	14	822
Taiwan	257	3	260	0	0	0	260
Others	30	0	30	0	0	0	30
<b>Total</b>	<b>1,094</b>	<b>4</b>	<b>1,098</b>	<b>0</b>	<b>14</b>	<b>14</b>	<b>1,112</b>

	<b>1H 2016</b>	1H 2015	<b>1H 2016</b>	1H 2015	Changes	
<b>Average sales per store</b>	<b>Average store*</b>	Average store*	<b>Average sales per store</b>	Average sales per store	<b>HK\$</b>	<b>%</b>
			<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>%</b>
PRC	<b>795.5</b>	955.0	<b>244,000</b>	227,000	17,000	7.5%
Taiwan	<b>249.5</b>	260.0	<b>178,000</b>	178,000	0	0.0%
<b>Group total **</b>	<b>1,045.0</b>	1,215.0	<b>229,000</b>	216,000	13,000	6.0%

\* 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.

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters in department stores. 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 spas, while skin care analysis is widely available at the concessionary counters in department stores.

As at 30 June 2016, there were 1,064 spas and 14 concessionary counters. Of these, 1,060 were franchised spas, 4 spas and 14 concessionary counters were directly operated by the Group. No concessionary counter was entrusted to third party operators.

Group-wide, a total of 20 new stores were opened and 14 stores were closed during the six months ended 30 June 2016.

Average sales per store increased from HK\$216,000 for the six months ended 30 June 2015 to HK\$229,000 for the six months ended 30 June 2016. Average sales per store in the PRC for the six months ended 30 June 2016 increased by 7.5% to HK\$244,000. In Taiwan, average sales per store maintained at HK\$178,000 for the six months ended 30 June 2016.

## Research and Development

The Group puts significant emphasis on research and development which allows 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 development. The bio-technology 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 Yen-Yu’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 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.

## **Products**

During the six months ended 30 June 2016, the Group's flagship NB-1 product family presents strong growth. NB-1 branded products include the Anti-Aging NB-1 series, NB-1 Whitening series, NB-1 Anti-Allergy and NB-1 Pore Refining series. During the six months ended 30 June 2016, nearly 222,529 sets/bottles (224,873 sets/bottles for the six months ended 30 June 2015) of NB-1 family products were sold with turnover amounting to HK\$128.4 million (growth rate at 12%, HK\$114.2 million for the six months ended 30 June 2015) and accounting for over 54% of the Group's total product sales recorded for the six months ended 30 June 2016.

## **Human Resources**

As at 30 June 2016, the Group had a total of 576 employees, of whom 456 were based in the PRC, 118 in Taiwan and 2 in other countries and regions. Total remuneration (excluding Directors' emoluments) during the six months ended 30 June 2016 was approximately HK\$52.4 million (HK\$60.4 million for the six months ended 30 June 2015), including retirement benefit related costs of HK\$7.9 million (HK\$7.3 million for the six months ended 30 June 2015), with no stock option expenses (HK\$0.5 million for the six months ended 30 June 2015). 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.

## **Capital Expenditures**

The Group's major capital expenditure of HK\$9.3 million during the six months ended 30 June 2016 mainly related to Taiwan plant renovation for GMP certificate amounting to HK\$4.4 million, production equipment amounting to HK\$1.5 million and Spa renovation amounting to HK\$1.4 million.

## **OUTLOOK**

The PRC government's continued plan for urbanization and incentive for individual entrepreneurship should fuel the continuous growth in the beauty and personal care market.



With the escalating rental and labor costs in China, 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.

- Based on the successful launch of mini spas, we will continue to focus on adding more stores in tier 3 and 4 cities in the PRC.
- A large number of new products will be launched in the second half year to satisfy the needs of the consumers.
- We will continue to promote the development of “Stremark” in the area of plastic surgery recovery skincare in the PRC.
- More marketing and promotional efforts will be made to drive the growth of food supplement.
- We will build the information platform for customers and integrate online and offline marketing resources with the aim to establish the business model of “Business (Natural Beauty) to Customer to Business (Franchisee)”.
- We will enhance our operational efficiency by streamlining the organizational structure and improving the cost-control measures of the Group.

## **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 executive 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 Corporate Governance Code and Corporate Governance Report (the “**Code on Corporate Governance**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). These committees (save for executive committee) are chaired by non-executive Directors.

### **Audit Committee and Review of Interim Financial Statements**

The audit committee has adopted terms of reference (Audit Committee Charter) which are in line with the code provisions of the Code on Corporate Governance. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2016 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. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 have also been reviewed by Messrs. Deloitte Touche Tohmatsu, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, whose review report will be disclosed in the Company’s 2016 Interim Report.

## **Remuneration Committee**

The remuneration committee has adopted terms of reference (Remuneration Committee Charter) which are in line with the code provisions of the Code on Corporate Governance. The main duties of the remuneration committee include determining the policy and structure for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts, and determining or making recommendations to the Board on the Company's remuneration packages of individual executive and non-executive Directors and senior management.

## **Nomination Committee**

The nomination committee has adopted terms of reference (Nomination Committee Charter) 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, determining the policy for the nomination of Directors, reviewing the structure, size, composition and diversity of the Board annually and making recommendations to the Board on selection of candidates for directorships pursuant to the Board Diversity Policy. It also assesses the independence of independent non-executive Directors.

## **Executive Committee**

The executive committee is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters arising between regularly scheduled Board meetings, and to review financial, marketing, retail, operation and other business performance, as well as to review and approve annual budget and key performance indicators (KPIs) and track performance.

## **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 fully complied with all the code provisions set out in the Code on Corporate Governance throughout the six months ended 30 June 2016, except for the following deviations:

### **Code provision A.6.7**

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and non-executive Director were unable to attend the Company's annual general meeting held on 25 May 2016 ("**2016 AGM**") due to other overseas commitments.

### **Code provision E.1.2**

Code provision E.1.2 stipulates that the chairman of the board of a listed issuer should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees to attend. In their absence, the chairman of the board should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.



Dr. TSAI Yen-Yu, the Chairperson of the Board, and the Chairmen of the audit committee, remuneration committee, executive committee and nomination committee, were unable to attend the 2016 AGM due to other overseas commitments. The Board had arranged for Dr. SU Chien-Cheng, an executive Director of the Company and a member of the remuneration committee and executive committee of the Group, who is well versed in all business activities and operations of the Group, to attend and chair the 2016 AGM on behalf of Dr. TSAI Yen-Yu and to respond to shareholders' questions.

The Company has optimized the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangements and provide all necessary supports for their presence and participation at annual general meetings such that the Chairperson of the Board and all Directors will be able to attend future annual general meetings of the Company.

### **Compliance with the Model Code**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors have confirmed that the required standard of the Model Code have been complied with throughout the six months ended 30 June 2016 and up to the date of this announcement.

The Company has adopted written guidelines (the "**Company's Guidelines**"), which are equally stringent as the Model Code, in respect of securities transactions by relevant employees of the Company who are likely to be in possession of unpublished inside information of the Company pursuant to code provision A.6.4. No incident of non-compliance with the Model Code or the Company's Guidelines by the Company's relevant employees has been noted after making reasonable enquiry.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND**

The Board of the Company has resolved to declare an interim dividend for the six months ended 30 June 2016 of HK\$0.041 per share (2015: interim dividend of HK\$0.0392 per share) and a special interim dividend of HK\$0.025 per share. The interim dividend and special interim dividend will be distributed on Thursday, 20 October 2016 to shareholders whose names appear on the register of members of the Company as at the close of business on Wednesday, 21 September 2016.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of shareholders who qualify for the interim dividend and special interim dividend, the Register of Members of the Company will be closed from Tuesday, 20 September 2016 to Wednesday 21 September 2016, both days inclusive. In order to qualify for the interim dividend and special interim 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 19 September 2016.

**PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITE**

This interim results announcement is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.nblife.com/ir](http://www.nblife.com/ir)). The Interim Report for the six months ended 30 June 2016 of the Company containing all the information required by paragraph 37 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.

By order of the Board  
**Natural Beauty Bio-Technology Limited**  
**Tsai Yen-Yu**  
*Chairperson*

Hong Kong, 25 August 2016

*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; Dr. Su Sh-Hsyu as non-executive director; and Mr. Chen Ruey-Long, Mr. Lu Chi-Chant and Mr. Hsieh Pang-Chang as independent non-executive directors.*