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 2018

HIGHLIGHTS:

- Turnover increased by 5.5% to HK$193,738,000.
- Net profit decreased by 24.4% to HK$29,000,000.
- Interim dividend for the six months ended 30 June 2018 of HK$0.0145 per share (2017: an interim dividend of HK$0.0171 per share and a special interim dividend of HK$0.0054 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 2018, together with the comparative figures for the first half of 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018
(With comparatives for the six months ended 30 June 2017)

		Six months ended 30 June	
		2018	2017
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3A*	**193,738**	183,613
Cost of sales		**(56,603)**	(48,613)
Gross profit		**137,135**	135,000
Other income and other gains		**6,516**	7,544
Distribution and selling expenses		**(65,388)**	(47,080)
Administrative expenses		**(35,614)**	(31,594)
Other expenses and other losses		**2,157**	(9,227)
Profit before tax		**44,806**	54,643
Income tax expense	*4*	**(15,806)**	(16,279)
Profit for the period	*5*	**29,000**	38,364
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(10,717)**	26,612
Total comprehensive income for the period		**18,283**	64,976
Profit for the period attributable to:			
Owners of the Company		**29,000**	38,364
Total comprehensive income attributable to:			
Owners of the Company		**18,283**	64,976
Earnings per share	*7*		
Basic and diluted		**HK1.45 cents**	HK1.92 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018
(With comparatives at 31 December 2017)

	Notes	At 30 June 2018 (unaudited) HK$'000	At 31 December 2017 (audited) HK$'000
Non-current assets			
Investment properties		**7,715**	7,893
Property, plant and equipment		**198,903**	198,610
Prepaid lease payments		**51,132**	52,431
Intangible assets		**10,670**	–
Goodwill		**30,060**	27,095
		298,480	286,029
Current assets			
Inventories		**81,265**	85,077
Trade and other receivables	*8*	**80,714**	109,289
Prepaid lease payments		**1,232**	1,249
Pledged bank deposits		**3,621**	7,338
Bank balances and cash		**320,495**	288,903
		487,327	491,856
Current liabilities			
Trade and other payables	*9*	**72,022**	91,282
Contract liabilities		**13,402**	–
Deferred income		**–**	5,981
Taxation payable		**22,487**	18,389
Dividend payable	*6*	**67,070**	–
		174,981	115,652
Net current assets		**312,346**	376,204
Total assets less current liabilities		**610,826**	662,233

	Notes	At **30 June** **2018** **(unaudited)** ***HK$'000***	At 31 December 2017 (audited) *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**3,370**	5,863
Retirement benefit obligations		**5,497**	5,624
		601,959	650,746
Capital and reserves			
Share capital		**200,210**	200,210
Reserves		**401,749**	450,536
Total equity		**601,959**	650,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018
(With comparatives for the six months ended 30 June 2017 and as of 31 December 2017)
(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 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") 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. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfer of Investment Property*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017** *HK$'000*	**Reclassification** *HK$'000*	**Carrying amounts under HKFRS 15 at 1 January 2018** *HK$'000*
Current Liabilities				
Trade and other payables	*(a)*	91,282	(4,151)	87,131
Contract liabilities	*(a)/(b)*	–	10,132	10,132
Deferred income	*(b)*	5,981	(5,981)	–

(a) As at 1 January 2018, advances from customers of HK$4,151,000 previously included in trade and other payables were reclassified to contract liabilities.

(b) At the date of initial application, included in the total deferred income, HK$5,981,000 was related to the consideration received for skin treatments, beauty and spa services. The balance was reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Notes	**As reported** *HK$'000*	**Adjustments** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current Liabilities				
Trade and other payables	*(a)*	72,022	4,508	76,530
Contract liabilities	*(a)/(b)*	13,402	(13,402)	–
Deferred income	*(b)*	–	8,894	8,894

(a) The amount of HK$4,508,000 in relation to balance of advances from customers had been recognized as contract liabilities upon application of HKFRS 15 as at 30 June 2018.

(b) Upon application of HKFRS 15, the amount of HK$8,894,000 in relation to balance of consideration received for skin treatments, beauty and spa services had been recognized as contract liabilities as at 30 June 2018.

There was no impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

3A. REVENUE

Disaggregation of revenue

	For the six months ended 30 June 2018 (unaudited) *HK$'000*
Types of goods or services	
Sales of goods	**187,081**
Service income	**6,657**
Total	**193,738**
Geographical markets	
The People's Republic of China (the "PRC")	**154,055**
Taiwan	**38,015**
Others	**1,668**
Total	**193,738**
Timing of revenue recognition	
A point in time	**187,081**
Over time	**6,657**
Total	**193,738**

3B. 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 2018

	The PRC (unaudited)	**Taiwan (unaudited)**	**Others (unaudited)**	**Total (unaudited)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**154,055**	**38,015**	**1,668**	**193,738**
Segment profit	**41,666**	**6,413**	**1,645**	**49,724**
Unallocated corporate expenses				**(6,728)**
Unallocated income				**1,810**
Profit before tax				**44,806**

Six months ended 30 June 2017

	The PRC (unaudited)	Taiwan (unaudited)	Others (unaudited)	Total (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	145,179	37,141	1,293	183,613
Segment profit	49,216	7,402	928	57,546
Unallocated corporate expenses				(5,848)
Unallocated income				2,945
Profit before tax				54,643

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 ("CODM") for the purposes of resource allocation and performance assessment. Unallocated income mainly includes interest income.

Geographical information

The following is an analysis of the Group's non-current assets by reportable and operating segments:

	At 30 June 2018	At 31 December 2017
	(unaudited)	*(audited)*
	HK$'000	HK$'000
The PRC	**248,651**	234,300
Taiwan	**49,770**	51,701
Others	**59**	28
	298,480	286,029

No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the CODM.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Taxation in the PRC		
Current period	**9,744**	9,969
Withholding tax on dividends	**6,046**	5,039
	15,790	15,008
Taxation in Taiwan and other jurisdictions		
Current period	**1,751**	2,319
Overprovision in prior years	**–**	(332)
Withholding tax on dividends	**3,316**	5,305
	5,067	7,292
Deferred taxation		
Current period	**(5,051)**	(6,021)
	15,806	16,279

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%. The statutory withholding tax rate for non-PRC resident is 10%.

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 10% and 21% 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$6,046,000 (2017: HK$5,039,000) and HK$3,316,000 (2017: HK$5,305,000) for PRC and Taiwan were recognised respectively.

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	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12,202**	10,126
Release of prepaid lease payments	**640**	571
Total staff cost	**58,400**	54,087
Loss on disposal of property, plant and equipment	**101**	159
(Reversal of allowance) allowance for trade receivables	**(3,120)**	5,913
Allowance for obsolete inventories, included in cost of sales	**3,820**	2,022
Exchange (gain) loss	**(982)**	2,336
Interest income on bank deposits	**(1,810)**	(2,945)

6. DIVIDENDS

At the annual general meeting of the Company held on 24 May 2018, a final dividend of HK$0.0335 per share in respect of the year ended 31 December 2017 (2017: a final dividend of HK$0.0327 per share and a special final dividend of HK$0.025 per share in respect of the year ended 31 December 2016) was declared to be payable to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted approximately to HK$67,070,000 and is recognised as dividend payable as of 30 June 2018 (2017: HK$115,521,223 was recognised as dividend payable in the interim period).

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$29,000,000 for the six months ended 30 June 2018 (2017: HK$38,364,000) and on the number of 2,002,100,932 (2017: 2,002,100,932) ordinary shares of the Company in issue during the period.

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period for 90 days (2017: 90 days) to its trade customers. The aging analysis of trade receivables presented based on the date of delivery at the end of reporting period is as follows:

	At 30 June 2018 (unaudited) ***HK$'000***	At 31 December 2017 (audited) *HK$'000*
Trade receivables:		
Within credit period	**53,523**	78,503
Credit period – 180 days	**9,249**	6,783
Over 180 days	**7,943**	17,954
Less: Allowance for doubtful debts	**(1,877)**	(5,089)
	68,838	98,151
Prepayments	**6,673**	7,522
Other receivables	**5,203**	3,616
	80,714	109,289

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 30 June 2018 (unaudited)	At 31 December 2017 (audited)
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**11,036**	21,123
91 days to 365 days	**4**	18
Over 365 days	**71**	380
	11,111	21,521
Deposits from customers	**27,294**	25,934
Other tax payables	**7,363**	14,981
Accruals	**21,619**	21,483
Other payables	**4,635**	7,363
	72,022	91,282

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 2018		1H 2017		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	**154,055**	**79.5%**	145,179	79.1%	8,876	6.1%
Taiwan	**38,015**	**19.6%**	37,141	20.2%	874	2.4%
Others	**1,668**	**0.9%**	1,293	0.7%	375	29.0%
Total	**193,738**	**100.0%**	183,613	100.0%	10,125	5.5%

During the six months ended 30 June 2018, turnover of the Group increased by 5.5% to HK$193.7 million compared with HK$183.6 million for the six months ended 30 June 2017. Turnover in the PRC and Taiwan remained relatively constant, while fluctuation in exchange rate resulted in an increase in turnover of the Group for the six months ended 30 June 2018 of HK$10.1 million compared with the corresponding period last year.

For the six months ended 30 June 2018, turnover in the PRC market increased by 6.1% from HK$145.2 million for the six months ended 30 June 2017 to HK$154.1 million; and turnover in Taiwan increased by 2.4% from HK$37.1 million for the six months ended 30 June 2017 to HK$38.0 million.

Sales from other regions, including Hong Kong, Macau and Malaysia, increased by 29.0% to HK$1.7 million for the six months ended 30 June 2018. Contribution from these regions remained at an insignificant level of just 0.9% of the Group's turnover.

The Group's overall gross profit margin declined from 73.5% for the six months ended 30 June 2017 to 70.8% for the six months ended 30 June 2018 mainly due to the offering of larger promotional discounts for the Group's product/service packages and new spa services during the period under review.

Turnover by activities	1H 2018	1H 2017	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Products				
PRC	**148,528**	143,788	4,740	3.3%
Taiwan	**36,885**	35,852	1,033	2.9%
Others	**1,668**	1,293	375	29.0%
Total	**187,081**	180,933	6,148	3.4%
Services				
PRC	**5,527**	1,391	4,136	297.3%
Taiwan	**1,130**	1,289	(159)	-12.3%
Total	**6,657**	2,680	3,977	148.4%

Turnover by activities	1H 2018		1H 2017		Changes	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Products	**187,081**	**96.6%**	180,933	98.5%	6,148	3.4%
Services	**6,657**	**3.4%**	2,680	1.5%	3,977	148.4%
Total	**193,738**	**100.0%**	183,613	100.0%	10,125	5.5%

Products

The Group is principally engaged in manufacturing and sales of a range of products, including skin care, beauty and 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 2018 amounted to HK$187.1 million, or 96.6% of the Group's total revenue, representing an increase of HK$6.1 million or by 3.4% when compared with sales of HK$180.9 million for the six months ended 30 June 2017. The increase in product sales was mainly driven by the increase in turnover in such segment in the PRC market by 3.3% to HK$148.5 million for the six months ended 30 June 2018 compared with HK$143.8 million for the corresponding period last year.

Service income	1H 2018		1H 2017		Changes	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Training income	**152**	**2.3%**	203	7.6%	(51)	-25.1%
Spa service income	**5,092**	**76.5%**	2,251	84.0%	2,841	126.2%
Others	**1,413**	**21.2%**	226	8.4%	1,187	525.2%
Total	**6,657**	**100.0%**	2,680	100.0%	3,977	148.4%

Services

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

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

Service income is solely derived from the Group's self-owned spas. The Group does not share any service income generated from spas run by franchisees under its current franchise arrangements. During the six months ended 30 June 2018, service income increased by 148.4% to HK$6.7 million compared with HK$2.7 million for the corresponding period last year. The increase was mainly due to the introduction of a high-tech device into the spa services provided by the Group's self-owned spas.

Other income and other gains

Other income and other gains decreased by HK$1.0 million or 13.6% from HK$7.5 million for the six months ended 30 June 2017 to HK$6.5 million for the six months ended 30 June 2018. Other income and other gains mainly comprised rental income from other properties, interest income and financial refunds of HK$1.1 million, HK$1.8 million and HK$1.9 million respectively during the six months ended 30 June 2018.

Selling and administrative expenses

Distribution and selling expenses as a percentage of the Group's turnover increased to 33.8% for the six months ended 30 June 2018 compared with 25.7% for the six months ended 30 June 2017. The distribution and selling expenses increased by HK$18.3 million from HK$47.1 million for the six months ended 30 June 2017 to HK$65.4 million for the six months ended 30 June 2018. Salaries increased by HK$4.5 million from HK$21.5 million for the six months ended 30 June 2017 to HK$26.0 million for the six months ended 30 June 2018. Other key expenses included new products launching events and customers' training session expenses of HK$8.1 million, advertising expenses of HK$3.2 million, depreciation charges of HK$2.4 million, transportation charges of HK$3.6 million as well as rentals of offices of HK$4.1 million for the six months ended 30 June 2018.

Total administrative expenses increased by HK$4.0 million, or 12.7%, to HK$35.6 million for the six months ended 30 June 2018 compared with HK$31.6 million for the six months ended 30 June 2017. Administrative expenses mainly comprised staff costs and retirement benefits of HK$12.7 million, consultancy and professional fee of HK$4.6 million, depreciation charges of HK$4.0 million and office and utility expenses of HK$2.6 million.

Other expenses and other losses

Other expenses and other losses decreased by HK$11.4 million, from HK$9.2 million for the six months ended 30 June 2017 to HK$-2.2 million for the six months ended 30 June 2018. The decline was mainly due to the collection of accounts receivables which were accrued as bad debts in the previous year. Other expenses and other losses for the six months ended 30 June 2018 mainly included the provision for doubtful debts expense of HK$-3.1 million, loss of HK$0.1 million on disposal of property and related expenses of rental property of HK$0.8 million.

Profit before tax

Taking into account the increase in selling and administrative expenses, profit before tax decreased by 18.0% from HK$54.6 million for the six months ended 30 June 2017 to HK$44.8 million for the six months ended 30 June 2018.

Taxation

Taxation expenses decreased by HK$0.5 million to HK$15.8 million for the six months ended 30 June 2018 compared with HK$16.3 million for the six months ended 30 June 2017. The effective tax rates of the Group for the six months ended 30 June 2017 and 2018 were 29.8% and 35.3% respectively.

Profit for the period

Profit for the period decreased by 24.5% from HK$38.4 million for the six months ended 30 June 2017 to HK$29.0 million for the six months ended 30 June 2018.

Liquidity and financial resources

Cash generated from (used in) operating activities for the six months ended 30 June 2018 was approximately HK$60.5 million (HK$-65.0 million for the six months ended 30 June 2017). As at 30 June 2018, the Group had bank balances and cash of approximately HK$320.5 million (HK$288.9 million as at 31 December 2017) with no external bank borrowing.

In terms of gearing, as at 31 December 2017 and 30 June 2018, 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/period-end dates. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2017 and 30 June 2018 were 4.3 times and 2.8 times respectively. As at 30 June 2018, 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 2018, approximately 80.0% (79.0% as at 31 December 2017) of the Group's bank balances and cash was denominated in Renminbi, while approximately 16.0% (16.9% as at 31 December 2017) in New Taiwan Dollars. The remaining 4.0% (4.1% as at 31 December 2017) was denominated in US Dollars, Hong Kong Dollars and Ringgit Malaysia. The Group continues to adopt a conservative approach in its foreign exchange exposure management. It reviews its foreign exchange risks periodically and uses derivatives to hedge against such risks when necessary.

BUSINESS REVIEW

Turnover by geographic region	**1H 2018**	1H 2017	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
PRC				
Products	**148,528**	143,788	4,740	3.3%
Services	**5,527**	1,391	4,136	297.3%
PRC Total	**154,055**	145,179	8,876	6.1%
Taiwan				
Products	**36,885**	35,852	1,032	2.9%
Services	**1,130**	1,289	(159)	-12.3%
Taiwan Total	**38,015**	37,141	874	2.4%
Others				
Products	**1,668**	1,293	375	29.0%
Services	**–**	–	–	–
Others Total	**1,668**	1,293	375	29.0%

The PRC Market

The Group's turnover in the PRC market increased by 6.1% for the six months ended 30 June 2018 to HK$154.1 million compared with HK$145.2 million for the six months ended 30 June 2017. Gross margin on product sales remained stable at 76.6% for the six months ended 30 June 2018 compared with 76.8% for the six months ended 30 June 2017.

The Taiwan Market

The Group's turnover in the Taiwan market increased by 2.4% from HK$37.1 million for the six months ended 30 June 2017 to HK$38.0 million for the six months ended 30 June 2018. Gross margin increased from 76.9% for the six months ended 30 June 2017 to 78.4% for the six months ended 30 June 2018.

Distribution channels

Store Number by Ownership	**Franchisee owned Spa**	**Self owned Spa**	**Total Spa**	**Entrusted Counter**	**Self owned Counter**	**Total Counter**	**Self owned Medical Cosmetology**	**Total**
As at 30 June 2018								
PRC	**760**	**2**	**762**	**0**	**15**	**15**	**1**	**778**
Taiwan	**247**	**3**	**250**	**0**	**0**	**0**	**0**	**250**
Others	**30**	**0**	**30**	**0**	**0**	**0**	**0**	**30**
Total	**1,037**	**5**	**1,042**	**0**	**15**	**15**	**1**	**1,058**

Store Number by Ownership	Franchisee owned Spa	Self owned Spa	Total Spa	Entrusted Counter	Self owned Counter	Total Counter	Total
As at 30 June 2017							
PRC	787	1	788	0	12	12	800
Taiwan	253	3	256	0	0	0	256
Others	30	0	30	0	0	0	30
Total	1,070	4	1,074	0	12	12	1,086

Average sales per store	1H 2018 Average store*	1H 2017 Average store*	1H 2018 Average sales per store	1H 2017 Average sales per store	*Changes*	
			HK$	*HK$*	*HK$*	%
PRC	**795.0**	800.0	**194,000**	181,000	13,000	7.2%
Taiwan	**249.5**	254.0	**152,000**	146,000	6,000	4.1%
Group total**	**1,044.5**	1,054.0	**184,000**	173,000	11,000	6.4%

* 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 2018, there were 1,042 spas, 15 concessionary counters and one medical cosmetology. Of these, 1,037 were franchised spas, while 5 spas, 15 concessionary counters and one medical cosmetology were directly operated by the Group. No concessionary counters were entrusted to third-party operators.

Group-wide, a total of 17 new stores were opened and 51 stores were closed during the six months ended 30 June 2018. Average sales per store increased from HK$173,000 for the six months ended 30 June 2017 to HK$184,000 for the six months ended 30 June 2018.

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 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 experience, together with Dr. TSAI Yen-Yu's 40-year-plus industry experience and knowledge to continue to develop 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.

Natural Beauty 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 2018, the Group's flagship NB-1 products accounted for 54.4% of total product sales. Sales of NB-1 branded products reached HK$101.7 million for the six months ended 30 June 2018. During the six months ended 30 June 2018, the Group had successfully launched a new series of NB-1 Bright-Crystal target products, the sales of which achieved HK$33.2 million, accounting for 17.7% of total product sales.

Human Resources

As at 30 June 2018, the Group had a total of 517 employees, of whom 416 were based in the PRC, 99 in Taiwan and 2 in other countries and regions. Total remuneration (excluding directors' emoluments) for the six months ended 30 June 2018 was approximately HK$54.6 million (HK$50.5 million for the six months ended 30 June 2017), including retirement benefit related costs of HK$7.7 million (HK$7.2 million for the six months ended 30 June 2017), with no stock option expenses (nil for the six months ended 30 June 2017). 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 capital expenditure of HK$15.4 million for the six months ended 30 June 2018 was mainly related to the new plant construction in the PRC amounting to HK$7.8 million, opening of new stores, renovation and equipment amounting to HK$4.2 million, IT infrastructure amounting to HK$0.3 million and office renovation amounting to HK$1.0 million.

OUTLOOK

Our strategic direction is to continue to grow our current core businesses while developing new businesses in the high-tech beauty/medical cosmetology market:

- Accelerate new store openings in cities with high rate of income growth.
- Increase market share to reach pharmacy chain stores (for supplement products) and beauty stores (for skincare products) by developing new distribution network.
- Develop new "high-tech beauty skin management" chain businesses to serve the needs of the younger generation and middle class consumers for quick and highly effective treatment – a comprehensive plan to solve minor skin problems by combining treatment of high-tech beauty devices and effective products.
- Enter the medical cosmetology market to meet consumers' beauty needs for instant and long-lasting effects by offering medical-grade treatments.
- Enhance marketing strategy to strengthen Natural Beauty's brand awareness.

CORPORATE GOVERNANCE HIGHLIGHTS 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 "**CG Code**") 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 the 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 CG Code. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 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.

In addition, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 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 2018 Interim Report to be sent to the shareholders of the Company in due course.

Remuneration Committee

The remuneration committee has adopted terms of reference (Remuneration Committee Charter) which are in line with the code provisions of the CG Code. 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 CG Code. 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 CG Code

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 CG Code throughout the six months ended 30 June 2018, except for 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, Mr. CHEN Ruey-Long, the Chairman of the audit committee, Mr. LU Chi-Chant, the Chairman of the remuneration committee, Mr. LEE Ming-Ta, the Chairman of the executive committee and Mr. HSIEH Pang-Chang, the Chairman of the nomination committee were unable to attend the Company's annual general meeting held on 24 May 2018 ("**2018 AGM**") due to other overseas commitments. The Board had arranged for Dr. SU Chien-Cheng, an executive Director and a member of the remuneration committee and executive committee of the Company, who is well versed in all business activities and operations of the Group, to attend and chair the 2018 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, given adequate time to all Directors to accommodate their work arrangements and provided all necessary support 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 has been complied with throughout the six months ended 30 June 2018 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend for the six months ended 30 June 2018 of HK$0.0145 per share (2017: an interim dividend of HK$0.0171 per share and a special interim dividend of HK$0.0054 per share). The interim dividend will be distributed on Thursday, 22 November 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 1 November 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of shareholders who qualify for the interim dividend, the Register of Members of the Company will be closed from Wednesday, 31 October 2018 to Thursday, 1 November 2018, both days inclusive. In order to qualify for the 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 Tuesday, 30 October 2018.

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) and that of the Company (www.ir-cloud.com/hongkong/00157/irwebsite). The Interim Report for the six months ended 30 June 2018 of the Company containing all the information required by paragraph 37 of Appendix 16 to 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, 30 August 2018

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.