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)**

# INSIDE INFORMATION
# UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is made by the board (the "**Board**") of directors ("**Directors**") of Natural Beauty Bio-Technology Limited ("**Natural Beauty**" or the "**Company**") pursuant to Rule 13.09 and Rule 13.49(3) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

On 12 March 2020, the Company was informed by its auditors, Messrs. Deloitte Touche Tohmatsu (the "**Auditors**"), that the Auditors would like to obtain response from the management of the Company concerning certain audit findings of the Auditors relating to the sales made by the Company and its subsidiaries (together, the "**Group**") to certain individual distributors (i.e. the increase in sales to such distributors in 2019 with a particular spike close to the year end, and issues relating to logistics arrangement of such sales) and how certain individual distributors and customers settled their payments to the Group (i.e. the use of multiple accounts, credit cards and/or debit cards for settlement and other related issues), in order to satisfy themselves of the applicable auditing standards and complete the audit process.

On 17 March 2020, the Company has compiled and provided to the Auditors its response to the Auditors' enquiries (the "**Issues**") and provided certain materials to the Auditors supporting the Company's response on 18 March 2020 and 19 March 2020. On 19 March 2020, the Company's audit committee (the "**Audit Committee**") received a letter from the Auditors requesting it to engage an independent forensic accounting firm (the "**Investigative Agent**") to conduct an investigation into the Issues (the "**Investigation**"). On 24 March 2020, the Board has authorised the Audit Committee to engage and the Audit Committee has engaged PricewaterhouseCoopers Management Consulting (Shanghai) Limited as the Investigative Agent, with the scope of work subject to further discussion between the Investigative Agent and the Auditors.

The Board would like to state that, due to the COVID-19 coronavirus outbreak, there have been various restrictions in force in Mainland China and Taiwan, including restrictions to commute to work in China and restrictions to travels between Mainland China and Taiwan. In particular, our finance team, which is based in Shanghai, was supposed to return to work after the Chinese New Year break on 31 January 2020. Due to the restrictions mandated by the Shanghai local government, our finance team could only return to work on 17 February 2020 and since then had been experiencing commute restrictions which posed further limitations for our finance team to prepare and deliver the initial financial statements. As a result of the foregoing, the auditing process (including but not limited to the preparation and provision of the initial financial statements by the Company to the Auditors) has experienced considerable delay, which led to a delay in the process of identification and resolving of the Issues as well.

The Company expects that it will take about 2–3 weeks from the date of engagement of the Investigative Agent to complete the Investigation and issue the relevant report for the Auditors' consideration, depending on the scope of work to be determined by the Investigative Agent and the Auditors. The Board will make an announcement in respect of the progress of the Investigation in due course.

In light of the above, the Board announces the unaudited consolidated annual results of the Group for the year ended 31 December 2019 together with comparative figures. These results have been reviewed by the Audit Committee and approved by the Board for publication. The figures in respect of the Group's consolidated financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have not been agreed by the Auditors.

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

*FOR THE YEAR ENDED 31 DECEMBER 2019*

*(With comparatives for the year ended 31 December 2018)*

| | *Notes* | **2019** **HK$'000** **(Unaudited)** | 2018 *HK$'000* (Audited) |
|---|---|---|---|
| Revenue | *3* | **464,425** | 369,525 |
| Cost of sales | | **(179,143)** | (146,665) |
| Gross profit | | **285,282** | 222,860 |
| Other income and other gains | *5* | **5,965** | 8,077 |
| Impairment losses, net of reversal | *6* | **(2,181)** | 2,267 |
| Distribution and selling expenses | | **(159,843)** | (120,200) |
| Administrative expenses | | **(70,841)** | (69,982) |
| Finance cost | | **(119)** | – |
| Other expenses and other losses | | **(9,754)** | (3,865) |
| Profit before tax | | **48,509** | 39,157 |
| Income tax expense | *7* | **(18,696)** | (12,898) |
| Profit for the year | *8* | **29,813** | 26,259 |
| **Other comprehensive income:** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Remeasurement of defined benefit pension plans | | **114** | 3,372 |
| Gain on revaluation of investment property | | **23,847** | – |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(6,088)** | (32,421) |
| Other comprehensive income (expense) for the year | | **17,873** | (29,049) |
| Total comprehensive income (expense) for the year | | **47,686** | (2,790) |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **29,813** | 26,259 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **47,686** | (2,790) |
| Earnings per share | *10* | | |
| Basic | | **HK1.5 cents** | HK1.3 cents |

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 31 DECEMBER 2019*
*(With comparatives at 31 December 2018)*

| | *Notes* | **2019 *HK$'000* (Unaudited)** | 2018 *HK$'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **51,299** | 7,674 |
| Property, plant and equipment | | **244,956** | 197,207 |
| Right-of-use assets | | **87,350** | – |
| Prepaid lease payments | | **–** | 48,530 |
| Goodwill | | **25,409** | 31,407 |
| Intangible assets | | **15,017** | 17,122 |
| Deposits for purchase of property, plant and equipment | | **6,318** | 20,528 |
| Deferred tax assets | | **–** | 5,234 |
| Pledged bank deposits | | **3,415** | 3,479 |
| | | **433,764** | 331,181 |
| **Current assets** | | | |
| Inventories | | **79,299** | 74,313 |
| Trade and other receivables | *11* | **111,171** | 86,567 |
| Contract costs | | **664** | 798 |
| Amounts due from related parties | | **29,159** | 420 |
| Prepaid lease payments | | **–** | 1,184 |
| Pledged bank deposits | | **–** | 3,479 |
| Bank balances and cash | | **145,696** | 181,024 |
| | | **365,989** | 347,785 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **103,767** | 93,501 |
| Short term borrowings | | **1,133** | – |
| Contract liabilities | | **18,203** | 22,616 |
| Lease liability – Current | | **14,038** | – |
| Tax payable | | **4,994** | 9,695 |
| | | **142,135** | 125,812 |
| **Net current assets** | | **223,854** | 221,973 |
| **Total assets less current liabilities** | | **657,618** | 553,154 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **9,054** | – |
| Long-term borrowings | | **23,823** | – |
| Lease liability – Non-current | | **24,548** | – |
| Retirement benefit obligations | | **652** | 1,299 |
| **Net assets** | | **599,541** | 551,855 |
| **Capital and reserves** | | | |
| Share capital | | **200,210** | 200,210 |
| Reserves | | **399,331** | 351,645 |
| **Total equity** | | **599,541** | 551,855 |

*Notes:*

## 1. GENERAL

The Company was incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability and its shares have been listed on the Stock Exchange since 28 March 2002. As at 31 December 2019, Eastern Media International Corporation, Good Titanic Limited, Next Focus Holdings Limited, Standard Cosmos Limited and Starsign International Limited are substantial corporate shareholders of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The Company acts as an investment holding company. The Group is principally engaged in (a) manufacturing and selling of skin care, beauty and aroma-therapeutic products, health supplements, make-up products and beauty apparatus and (b) provision of skin treatments, beauty and spa services, medical cosmetology services, skin care consulting and beauty training.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 unaudited consolidated financial statements for the year ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

**Application of new and amendments to HKFRSs**

In the current year, 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 2019 for the preparation of the Group's consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | *Leases* |
| HK(IFRIC) – Int 23 | *Uncertainty over Income Tax Treatments* |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015–2017 Cycle* |

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 16 *Leases***

***Transition and summary of effects arising from initial application of HKFRS 16***

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | *Notes* | **Carrying amounts previously reported at 31 December 2018** *HK$'000* | **Reclassification** *HK$'000* | **Carrying amounts under HKFRS 16 at 1 January 2019** *HK$'000* (Unaudited) |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Prepaid lease payments | *(a)* | 48,530 | (48,530) | – |
| Right-of-use assets | | – | 81,443 | 81,443 |
| **Current Assets** | | | | |
| Prepaid lease payments | *(a)* | 1,184 | (1,184) | – |
| Trade and other receivables | | | | |
| – Prepayments | *(b)* | 12,134 | (482) | 11,652 |
| **Current Liabilities** | | | | |
| Trade and other payables | | | | |
| – Accrued lease liabilities | *(c)* | 338 | (338) | – |
| Lease liabilities | | – | 10,618 | 10,618 |
| **Non-current Liabilities** | | | | |
| Lease liabilities | | – | 20,967 | 20,967 |

(a) Upfront payments for leasehold lands in the People's Republic of China ("**PRC**") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$1,184,000 and HK$48,530,000, respectively, were reclassified to right-of-use assets.

(b) Upfront payments for some leases were classified as prepayments as at 31 December 2018. Upon application of HKFRS 16, lease prepayments amounting to HK$482,000 was reclassified to right-of-use assets.

(c) Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

## 3. REVENUE

**For the year ended 31 December 2019**

***(i) Disaggregation of revenue from contracts with customers***

| | **For the year ended 31 December 2019** ***HK$'000*** **(Unaudited)** | For the year ended 31 December 2018 *HK$'000* (Audited) |
|---|---|---|
| **Types of goods or services** | | |
| Sales of goods | **447,817** | 348,728 |
| Service income | **16,608** | 20,797 |
| Total | **464,425** | 369,525 |
| **Geographical markets** | | |
| The PRC | **329,767** | 292,675 |
| Taiwan | **131,557** | 73,315 |
| Others | **3,101** | 3,535 |
| Total | **464,425** | 369,525 |
| **Timing of revenue recognition** | | |
| A point in time | **447,817** | 348,728 |
| Over time | **16,608** | 20,797 |
| Total | **464,425** | 369,525 |

### *(ii) Performance obligations for contracts with customers*

- Sale of products (revenue recognised at one point in time)

  The Group sells a range of products including skin care, beauty and aroma-therapeutic products, health supplements, make-up products and beauty apparatus directly to the franchisees.

  For sales of products to the franchisees, revenue is recognised when control of the goods has transferred to the franchisees, being at the point the goods are delivered to the franchisees. Following the delivery, the franchisees has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery.

- Sales of products with services (multiple performance obligations)

  The Group provides skin treatment, beauty and spa services through its self-owned spas and provides medical cosmetology services through its self-owned medical beauty clinics.

  The service is considered to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. The Group has a present right to payment from the customers for the products with services. Transaction price is allocated between sales of products and the services on a relative standalone selling price basis. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released when services delivered to the customers.

### *(iii) Transaction price allocated to the remaining performance obligation for contracts with customers*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | 18,203 | 22,616 |

## 4. OPERATING SEGMENTS

Information reported to the Chief Executive Officer ("**CEO**") of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on geographical segments by location of customers.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. The PRC
2. Taiwan
3. Others (Hong Kong and Malaysia)

**Segment revenues and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

**For the year ended 31 December 2019**

| | **The PRC** | **Taiwan** | **Others** | **Total** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Revenue | **329,767** | **131,557** | **3,101** | **464,425** |
| Segment profit | **45,122** | **13,322** | **1,330** | **59,774** |
| Unallocated corporate expenses | | | | **(12,691)** |
| Unallocated income | | | | **1,426** |
| Profit before tax | | | | **48,509** |

**For the year ended 31 December 2018**

| | The PRC | Taiwan | Others | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Revenue | 292,675 | 73,315 | 3,535 | 369,525 |
| Segment profit (loss) | 39,111 | 8,643 | (67) | 47,687 |
| Unallocated corporate expenses | | | | (11,550) |
| Unallocated income | | | | 3,020 |
| Profit before tax | | | | 39,157 |

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 central administration costs, directors' salaries and interest income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

**Other segment information**

**For the year ended 31 December 2019**

| | **The PRC** | **Taiwan** | **Others** | **Segment and consolidated total** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Amounts included in the measure of segment profit (loss): | | | | |
| Depreciation of property, plant and equipment | **28,097** | **6,645** | **169** | **34,911** |
| Impairment of goodwill | **5,501** | **–** | **–** | **5,501** |
| Release of prepaid lease payments | **1,179** | **–** | **–** | **1,179** |
| Amortisation of intangible assets | **1,815** | **–** | **–** | **1,815** |
| Loss on disposal of property, plant and equipment | **225** | **–** | **–** | **225** |
| Allowance for obsolete inventories | **1,580** | **896** | **16** | **2,492** |
| Loss on disposal of inventories | **3,985** | **–** | **–** | **3,985** |
| Allowance for trade receivables | **2,257** | **4** | **–** | **2,261** |

**For the year ended 31 December 2018**

| | The PRC<br>*HK$'000*<br>(Audited) | Taiwan<br>*HK$'000*<br>(Audited) | Others<br>*HK$'000*<br>(Audited) | Segment and consolidated total<br>*HK$'000*<br>(Audited) |
|---|---|---|---|---|
| Amounts included in the measure of segment profit (loss): | | | | |
| Depreciation of property, plant and equipment | 18,258 | 4,963 | 23 | 23,244 |
| Release of prepaid lease payments | 1,234 | – | – | 1,234 |
| Amortisation of intangible assets | 1,117 | – | – | 1,117 |
| Loss on disposal of property, plant and equipment | 815 | 155 | – | 970 |
| Allowance for obsolete inventories | 10,073 | 731 | 49 | 10,853 |
| Loss on disposal of inventories | 5,167 | – | – | 5,167 |
| (Reversal of allowance) allowance on trade receivables | (2,170) | 13 | 4 | (2,153) |

**Geographical information**

The Group is principally engaged in (a) manufacturing and sale of a range of products including skin care, beauty and aroma-therapeutic products, health supplements, make-up products and beauty apparatus and (b) provision of skin treatments, beauty and spa services, medical cosmetology 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 3 to the consolidated financial statements.

The Group's non-current assets are presented based on the geographical location of the assets as detailed below:

| | **2019**<br>***HK$'000***<br>**(Unaudited)** | 2018<br>*HK$'000*<br>(Audited) |
|---|---|---|
| The PRC | **356,189** | 273,219 |
| Taiwan | **76,546** | 49,036 |
| Others | **1,029** | 213 |
| | **433,764** | 322,468 |

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

**Information about major customers**

The Group has a very wide customer base, no single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

## 5. OTHER INCOME AND OTHER GAINS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Interest on bank deposits | **1,426** | 3,020 |
| Rental income from investment properties | **3,101** | 296 |
| Rental income from other properties and equipment | **–** | 1,958 |
| Government grants *(Note)* | **1,438** | 2,230 |
| Others | **–** | 573 |
| | **5,965** | 8,077 |

*Note:* The government grants represent unconditional tax refunds received from the local government in compensation for taxes incurred and paid by the PRC operating subsidiaries of the Group.

## 6. IMPAIRMENT LOSSES, NET OF REVERSAL

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Impairment (reversed) losses recognised on: | | |
| – Trade receivables – goods and services | **2,261** | (2,153) |
| – Other receivables | **(80)** | (114) |
| | **2,181** | (2,267) |

## 7. INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| The charge comprises: | | |
| Taxation in the PRC | | |
| Current year | **16,135** | 14,125 |
| Under (over) provision in prior years | **734** | (226) |
| Withholding tax on dividends | **–** | 9,477 |
| | **16,869** | 23,376 |
| Taxation in Taiwan | | |
| Current year | **5,985** | 2,199 |
| Under provision in prior years | **7** | 5 |
| Withholding tax on dividends | **2,419** | 3,308 |
| | **8,411** | 5,512 |
| Taxation in Hong Kong and other jurisdictions | | |
| Current year | **2,237** | 538 |
| Over provision in prior years | **(163)** | (135) |
| | **2,074** | 403 |
| Deferred taxation | | |
| Current year | **(8,658)** | (16,393) |
| | **18,696** | 12,898 |

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 income 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 that are declared in respect of profits earned by PRC and Taiwan subsidiaries respectively and that are received by non-local resident entities. Withholding tax on dividends of HK$nil (2018: HK$9,477,000) and HK$2,419,000 (2018: HK$3,308,000) for the PRC and Taiwan were recognised respectively.

Corporate Income Tax in Taiwan is charged at 20%.

Hong Kong profits tax is charged at 16.5%.

## 8. PROFIT FOR THE YEAR

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Profit for the year has been arrived at after charging (crediting): | | |
| Staff costs: | | |
| Directors' emoluments | **6,030** | 6,212 |
| Other staff salaries and allowances | **116,232** | 88,676 |
| Retirement benefits scheme contributions, excluding directors: | | |
| – defined contribution plans | **16,358** | 16,927 |
| – defined benefit plan | **77** | 123 |
| Total staff costs | **138,697** | 111,938 |
| Depreciation of property, plant and equipment | **34,911** | 23,244 |
| Amortisation of intangible assets | **1,815** | 1,117 |
| Impairment of goodwill | **5,501** | – |
| Cost of inventories recognised as an expense | **130,692** | 116,227 |
| Release of prepaid lease payments | **1,179** | 1,234 |
| Amortisation of contract costs | **1,030** | 5,315 |
| Auditor's remuneration | **3,741** | 3,611 |
| Loss on disposal of property, plant and equipment | **225** | 970 |
| Allowance (reversal of allowance) for trade receivables | **2,261** | (2,153) |
| Allowance for obsolete inventories, included in cost of sales | **2,492** | 10,853 |
| Loss on disposal of inventories, included in cost of sales | **3,985** | 5,167 |
| Advertising and promotion expenses | **45,614** | 19,864 |
| Net exchange loss | **1,151** | 1,319 |

## 9. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Dividends recognised as distribution during the year: | | |
| Interim dividend, paid – nil for 2019 (2018: HK$0.0145 per share for 2018) | **–** | 29,031 |
| Final dividend, paid – nil for 2018 (2018: HK$0.0335 per share for 2017) | **–** | 67,070 |
| | **–** | 96,101 |

## 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$29,813,000 (2018: HK$26,259,000) and on the number of 2,002,100,932 (2018: 2,002,100,932) ordinary shares of the Company in issue during the year.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

## 11. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **98,035** | 73,293 |
| Less: allowance for credit losses | **(4,553)** | (2,363) |
| | **93,482** | 70,930 |
| Prepayments | **14,632** | 12,134 |
| Other receivables | **3,057** | 3,503 |
| Total trade and other receivables | **111,171** | 86,567 |

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on dates of delivery of goods.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Aging: | | |
| Within credit period | **84,524** | 64,206 |
| Over credit period but less than 180 days | **8,344** | 2,258 |
| Over 180 days | **614** | 4,466 |
| | **93,482** | 70,930 |

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$8,958,000 (2018: HK$6,724,000) which are past due as at the reporting date. Out of the past due balances, HK$614,000 (2018: HK$4,466,000) has been past due 180 days or more and is not considered as in default as the amount will be repaid by the customer based on the supplemental agreement signed with customers and historical experience. The Group considers both quantitative and qualitative information that is reasonable and supportable to have a more lagging default criterion as the Group remains a long-term relationship with customers. The Group does not hold any collateral over these balances.

The directors of the Company assessed the credit quality of those debtors that the balances are past due by reviewing their financial position, the past repayment record and the experience on any recent history of default. The amounts are considered recoverable.

## 12. TRADE AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **27,651** | 20,537 |
| Deposits from franchisees | **23,903** | 24,317 |
| Other tax payables | **12,275** | 14,229 |
| Accruals | **26,261** | 27,938 |
| Other payables | **13,677** | 6,480 |
| Total trade and other payables | **103,767** | 93,501 |

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 90 days | **27,591** | 18,843 |
| 91 days to 365 days | **46** | 1,680 |
| Over 365 days | **14** | 14 |
| | **27,651** | 20,537 |

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

## UNAUDITED ANNUAL RESULTS REVIEW

### Overview

Turnover of the Group in 2019 increased by 25.7% to HK$464.4 million compared with HK$369.5 million in 2018. The rise was mainly due to an increase of HK$99.1 million in product sales, such segment contributed to 96.4% of the Group's total turnover.

Turnover in the PRC market increased by 12.7% from HK$292.7 million in 2018 to HK$329.8 million in 2019, turnover in the Taiwan market increased by 79.5% to HK$131.6 million in 2019 compared with HK$73.3 million in 2018.

Sales from other regions, including Hong Kong, Malaysia and Macau, decreased by 11.4% from HK$3.5 million in 2018 to HK$3.1 million in 2019. Contribution from these regions remained at an insignificant level of just 0.7% of the Group's turnover.

The Group's overall gross profit margin increased from 60.3% in 2018 to 61.4% in 2019 mainly due to the change of the revenue mixture of the Group's product/beauty apparatus/service packages, and the increase in the proportion of higher-margin products during the year.

| | **2019** | | 2018 | | Changes | |
|---|---|---|---|---|---|---|
| **Turnover by activities** | ***HK$'000*** | ***%*** | *HK$'000* | *%* | *HK$'000* | *%* |
| | **(Unaudited)** | | (Audited) | | | |
| Products | **447,817** | **96.4%** | 348,728 | 94.4% | 99,089 | 28.4% |
| Services | **16,608** | **3.6%** | 20,797 | 5.6% | (4,190) | (20.1%) |
| Total | **464,425** | **100.0%** | 369,525 | 100.0% | 94,900 | 25.7% |

### 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 and new beauty apparatus. 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 2019 amounted to HK$447.8 million, or 96.4% of the Group's total revenue, representing an increase of HK$99.1 million or by 28.4% when compared with product sales of HK$348.7 million in 2018. The increase in product sales was mainly driven by the increase in turnover in such segment in the PRC market by 15.6% to HK$316.8 million in 2019 compared with HK$273.9 million in 2018, and the increase in turnover in such segment in the Taiwan market by 79.5% to HK$127.9 million in 2019 compared with HK$71.3 million in 2018.

### Services

Service income is derived from the self-owned spas' services, medical cosmetology 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 the overall sales of products and attract new franchisees. Currently the Group has three self-owned spas and two self-owned medical cosmetology centres in the PRC and eight self-owned spas in Taiwan.

The Group does not share any service income generated from spas run by franchisees under its current franchise arrangements. In 2019, service income decreased by 20.1% to HK$16.6 million compared with HK$20.8 million in 2018. The decrease in service income was mainly driven by the decrease in turnover of spa services and medical cosmetology service income by 18.5% to HK$16.0 million compared with HK$19.5 million in 2018.

| | **2019** | | 2018 | | Changes | |
|---|---|---|---|---|---|---|
| **Service income** | ***HK$'000*** | ***%*** | *HK$'000* | *%* | *HK$'000* | *%* |
| | **(Unaudited)** | | (Audited) | | | |
| Training income | **436** | **2.6%** | 423 | 2.0% | 13 | 3.2% |
| Spa/Medical cosmetology service income | **15,965** | **96.2%** | 19,536 | 94.0% | (3,571) | (18.3%) |
| Others | **207** | **1.2%** | 838 | 4.0% | (632) | (76.0%) |
| **Total** | **16,608** | **100.0%** | 20,797 | 100.0% | (4,190) | (20.1%) |

| Turnover by geographical region | **2019** **HK$'000** **(Unaudited)** | 2018 *HK$'000* (Audited) | Changes *HK$'000* | *%* |
|---|---|---|---|---|
| **PRC** | | | | |
| Products | **316,798** | 273,940 | 42,859 | 15.6% |
| Services | **12,969** | 18,735 | (5,767) | (30.8%) |
| **PRC Total** | **329,767** | 292,675 | 37,092 | 12.7% |
| **Taiwan** | | | | |
| Products | **127,923** | 71,253 | 56,670 | 79.5% |
| Services | **3,634** | 2,062 | 1,572 | 76.2% |
| **Taiwan Total** | **131,557** | 73,315 | 58,241 | 79.4% |
| **Others** | | | | |
| Products | **3,096** | 3,535 | (439) | (12.4%) |
| Services | **5** | – | 5 | – |
| **Others Total** | **3,101** | 3,535 | (434) | (12.3%) |

**The PRC Market**

The Group's turnover in the PRC market increased by 12.7% to HK$329.8 million in 2019 compared with HK$292.7 million in 2018. The rise was mainly due to increase in the sales of products. Gross margin on product sales increased from 64.2% in 2018 to 66.8% in 2019. The key reasons are the changes in the mixture of products with different marginal gross profit and the revenue mixture of the Group's product/beauty apparatus/service package in PRC in 2019.

**The Taiwan Market**

The Group's turnover in the Taiwan market increased by 79.5% from HK$73.3 million in 2018 to HK$131.6 million in 2019 due to the rise in the sales of products. Gross profit margin on product sales decreased from 77.6% in 2018 to 67.0% in 2019. The key reason is that the gross profit margin of products sales via new distribution channel in Taiwan is lower than the gross profit margin of product sales via existing channels.

Benefited from the operation strategy of Eastern Media International ("**EMI**") Group, Natural Beauty products were sold through the distribution channels of EMI. In 2019, product sales revenue from TV shopping, E-commerce and telemarketing channels in Taiwan market contributed HK$47,200,000 to the Group's turnover, accounting for 36.9% of the product sales in Taiwan.

**Other income and other gains**

Other income and other gains decreased by 26.1% from HK$8.1 million in 2018 to HK$6 million in 2019, mainly due to the decreases of interest income and government grants in 2019 by 52.8% and 35.5% respectively compared with 2018. Other income and other gains mainly comprised interest income, rental income from investment properties, government grants of HK$1.43 million, HK$3.1 million and HK$1.4 million respectively in 2019.

**Selling and administrative expenses**

Distribution and selling expenses as a percentage of the Group's turnover increased to 34.4% in 2019 compared with 32.5% in 2018. The distribution and selling expenses increased by HK$39.8 million from HK$120.2 million in 2018 to HK$160 million in 2019. Staff costs in relation to distribution work increased by HK$9 million from HK$49.4 million in 2018 to HK$58.4 million in 2019. Other key expenses included advertising expenses of HK$46 million, new products/business launching events and customers' training session expenses of HK$11.5 million, depreciation charges of HK$13.8 million, transportation charges of 4.2 million, travelling and entertainment charges of HK$9.5 million in 2019.

Total administrative expenses increased by HK$0.8 million, or 1.1%, to HK$70.8 million in 2019 compared with HK$70.0 million in 2018. Administrative expenses mainly comprised staff costs and retirement benefits of HK$19.6 million, legal and professional fees of HK$13.9 million, depreciation charges of HK$10.1 million and office and utilities expenses of HK$5.1 million in 2019.

**Other expenses and other losses**

Other expenses and other losses increased by HK$5.9 million, from HK$3.9 million in 2018 to HK$9.8 million in 2019. Other expenses and other losses mainly included impairment of goodwill of HK$5.5 million, exchange loss of HK$1.1 million, interest on lease liabilities HK$1.5 million and related expenses of rental property of HK$1.7 million in 2019.

**Profit before tax**

Taking into the increase in sales revenue and the improvement of profit margin of the Group, profit before tax increased by 23.9% from HK$39.2 million in 2018 to HK$48.5 million in 2019, and the pre-tax profit margin decreased to 10.4% in 2019 from 10.6% in 2018.

**Taxation**

Taxation expenses increased by HK$5.8 million to HK$18.7 million in 2019 compared with HK$12.9 million in 2018. The effective tax rates of the Group in 2018 and 2019 were 32.9% and 38.5% respectively.

**Profit for the year**

Profit for the year increased by 13.5% from HK$26.3 million in 2018 to HK$29.8 million in 2019.

**Liquidity and financial resources**

As at 31 December 2019, the Group had bank balances and cash of approximately HK$145.7 million (HK$181.0 million as at 31 December 2018) with approximately HK$25.0 million of external bank borrowing.

In terms of gearing, the Group's gearing ratios (defined as net debt divided by shareholders' equity) in 2018 and 2019 were zero and 4.0% respectively. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2018 and 31 December 2019 were 2.8 times and 2.6 times respectively. As at 31 December 2019, the Group had no material contingent liabilities, other than those disclosed in its financial statements and the notes thereto. With the cash and bank balances in hand, the Group's liquidity position remains strong to meet its working capital requirements.

As at 31 December 2019, the Group's secured short-term bank borrowings were HK$1.1 million (2018: Nil), secured long-term bank borrowings were HK$23.8 million (2018：Nil) and therefore the Group's net cash amounted to HK$120.8 million (2018: HK$181.0 million). These bank borrowings were denominated in RMB and NTD at floating rates during the year. The Group did not hedge its exposure to interest rate risk via interest rate swap.

**Pledge of assets**

As at 31 December 2019, the Group's secured short-term and long-term bank borrowings were secured by certain property and plants, with carrying amounts of HK$110.5 million.

### Treasury policies and exposure to fluctuations in exchange rates

Most of the Group's revenues are denominated in Renminbi ("**RMB**") and New Taiwan Dollars ("**NTD**") as its operations are mainly located in the PRC and Taiwan. As at 31 December 2019, approximately 75.8% (72.4% as at 31 December 2018) of the Group's bank balances and cash was denominated in RMB, while approximately 16.0% (21.5% as at 31 December 2018) in NTD. The remaining 8.2% (6.1% as at 31 December 2018) 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. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

## BUSINESS REVIEW

### 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 Centre** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | | | |
| PRC | **862** | **3** | **865** | **0** | **9** | **9** | **2** | **876** |
| Taiwan | **272** | **8** | **280** | **0** | **0** | **0** | **0** | **280** |
| Others | **27** | **0** | **27** | **0** | **0** | **0** | **0** | **27** |
| Total | **1,161** | **11** | **1,172** | **0** | **9** | **9** | **2** | **1,183** |

| Store Number by Ownership | Franchisee-owned Spa | Self-owned Spa | Total Spa | Entrusted Counter | Self-owned Counter | Total Counter | Self-owned Medical Cosmetology Centre | Total |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2018 | | | | | | | | |
| PRC | 773 | 2 | 775 | 0 | 14 | 14 | 2 | 791 |
| Taiwan | 241 | 3 | 244 | 0 | 0 | 0 | 0 | 244 |
| Others | 27 | 0 | 27 | 0 | 0 | 0 | 0 | 27 |
| Total | 1,041 | 5 | 1,046 | 0 | 14 | 14 | 2 | 1,062 |

| Average sales per store | **2019 Average store*** | 2018 Average store* | **2019 Average sales per store** | 2018 Average sales per store | Changes | |
|---|---|---|---|---|---|---|
| | | | ***HK$*** | *HK$* | *HK$* | *%* |
| PRC | **833.5** | 801.5 | **396,000** | 365,000 | 31,000 | 8.5% |
| Taiwan | **262.0** | 246.5 | **322,000** | 297,000 | 25,000 | 8.4% |
| Group total** | **1,095.5** | 1,048.0 | **378,000** | 349,000 | 29,000 | 8.3% |

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

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

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters in department stores. As at 31 December 2019, there were 1,172 spas, 2 medical cosmetology centres and 9 concessionary counters. Of these, 1,161 were franchised spas, while 11 spas, 2 medical cosmetology centres and 9 concessionary counters were directly operated by the Group. No concessionary counters were entrusted to third-party 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 spas, while skin care analysis is widely available at the concessionary counters in department stores.

Group-wide, a total of 143 new stores were opened and 22 stores were closed during the year ended 31 December 2019. Average sales per store increased from HK$349,000 in 2018 to HK$378,000 in 2019.

**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 experiences, together with the Group'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.

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**

In 2019, the Group's flagship NB-1 series products accounted for 29% of total product sales, which reached HK$80.5 million. Based on the continuous research and strategic planning of the beauty market, the Group kept up with the latest market trend and successfully launched the resveratrol beverage, which generated HK$15.1 million for the healthy food category, and increased the share of this category in our total product sale by 4%. With the promotion of resveratrol anti-oxidation and rejuvenation, the Group successfully launched the resveratrol skincare series, with a sales of HK38.6 million, accounting for 8.6% of the total product sales.

In the same year, the Group successfully introduced holographic quantum robot and Natural Beauty seven function instrument, so as to improve the Group's dominant position in the beauty and spa market, in order to better promote the spread of brand reputation.

In 2020, the Group will actively expand other channels, such as cross-border product cooperation with countries such as Belgium and South Korea. Meanwhile, it has established a new young brand Bio-up and open a flagship store in Shanghai SML Center to attract young customers and young entrepreneurs to join the Group.

**Human Resources**

As at 31 December 2019, the Group had a total of 606 employees, of whom 380 were based in the PRC, 216 in Taiwan and 10 in other countries and regions. Total remuneration (excluding Directors' emoluments) in 2019 was approximately HK$132.7 million (HK$105.7 million in 2018), including retirement benefit related costs of HK$16.4 million (HK$17.1 million in 2018). 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 Expenditure**

The Group's capital expenditure of HK$70.7 million in 2019 was mainly related to the new plant construction in the PRC amounting to HK$58.3 million, opening of new stores, renovation and equipment amounting to HK$4.9 million, office and self-owned spa centre renovation amounting to HK$6.2 million, motor vehicles amounting to HK$0.8 million and production equipment amounting to HK$0.5 million.

**Right-of-use Assets and Lease Liability**

Hong Kong Financial Reporting Standards No. 16 – *Lease* (HKFRS 16) came into effect on 1 January 2019. At the commencement date, the Group should recognise a right-of-use asset and a lease liability. The related right-to-use assets and lease liabilities are mainly located in the PRC and Taiwan. As at 31 December 2019, the Group's right-of-use assets were HK$87.4 million (HK$82.3 million as at 1 January 2019) and its lease liabilities were HK$38.6 million (HK$31.6 million as at 1 January 2019). For the year ended 31 December 2019, depreciation charges of right-of-use assets amounted to HK$12.0 million and interest charges of lease liabilities amounted to HK$1.5 million.

## OUTLOOK

Considering the economic impact of COVID-19 outbreak recently, Natural Beauty will continue to leverage the resource of EMI Group, i.e. multi-channel platform, its strength of big data, on-line selling to off-line experience, and its media power, to develop the Company's business in Taiwan at an extreme speed, also invest to obtain our global reach, in particular reaching out to Southeast Asia. The aim is to increase the revenue from multiple countries to level down the impact brought by COVID-19, especially in China, which is the core of our revenue, and also to make Natural Beauty a genuine international well known brand in the world.

**International Expansion:**

– Natural Beauty's great growth in Taiwan in 2019, represented by Natural Beauty's Taiwan revenue which nearly doubled that of 2018, proves the effect of leveraging EMI Group resource. In 2020, we will continue this successful model to boost up the sales of Natural Beauty further by selling a combination of product and utilising service on-line as a new driver to grow self-owned-and-operated stores revenue.

– We activated the "on-line training & selling" program in mainland China, to help all franchisees to sell via on-line live broadcasting, not just to expand our sales channel during the epidemic period, but also to upgrade all Natural Beauty stores to new-generation spa stores. Instead of employing KOLs, our professional trainers and salesforce would provide online professional education broadcasting as a means of marketing, in preparation for the economy rebound after the COVID-19. In addition, Natural Beauty will continue to invest in social e-commerce to grow OEM business, which is currently under preparation, in 2020.

– As the first step to be a worldwide brand, Southeast Asia market will be our next focus in our international expansion. We target to first enter the Malaysia market, Vietnam, and Cambodia markets with 2 key strategies, a) open self-owned & operated stores in high-end department stores, b) find local partners to develop franchise business, c)invest local multi-level marketing business to grow OEM business.

– Hong Kong market development is in progress. We have identified a local partner to be our dealer to grow Hong Kong market in 2020. We foresee a booming growth in the Hong Kong market in 2020.

**Product Development:**

– Immunity product, food supplements as well as skin care products will be the new direction for product development in 2020 onwards. Particularly, during the COVID-19 outbreak, wearing facial mask for a prolonged period may result in skin damage. This presents new business opportunity for Natural Beauty.

## 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 "**CG Code**") as set out in Appendix 14 to the Listing Rules on the Stock Exchange. These committees (saved for the executive committee) are chaired by non-executive Directors.

### Audit Committee and Review of Unaudited Annual 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 consolidated financial statements of the Company for the year ended 31 December 2019 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 Audit Committee is authorised by the Board to investigate any activity within its terms of reference and to obtain outside legal or other independent professional advice.

Messrs. Deloitte Touche Tohmatsu was appointed as the Company's auditor until the 2020 annual general meeting is ended.

### 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 and Director Nomination Policy of the Company. It also assesses the independence of independent non-executive Directors. The nomination committee has performed corporate governance functions set out in code provision D.3.1 of the CG Code for the year ended 31 December 2019.

### 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 year ended 31 December 2019.

### 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 standards of the Model Code have been complied with throughout the year ended 31 December 2019 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 year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## FURTHER ANNOUNCEMENT(S)

Following the completion of the Investigation and the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 December 2019 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the Register of Members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the progress of the Investigation and the completion of the auditing process.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board
**Natural Beauty Bio-Technology Limited**
**LEI Chien**
*Chairperson*

Hong Kong, 24 March 2020

*As at the date of this announcement, the Board comprises Dr. Lei Chien and Mr. Pan Yi-Fan as executive directors; Ms. Lu Yu-Min, Ms. Lin Shu-Hua and Mr. Chen Shou-Huang as non-executive directors; and Mr. Chen Ruey-Long, Mr. Lu Chi-Chant and Mr. Yang Shih-Chien as independent non-executive directors.*