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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS:

- Turnover increased by 18.6% to HK$438.4 million.
- Profit before tax decreased by 5.5% to HK$37.0 million.
- Net profit decreased by 16.6% to HK$21.9 million.
- No final dividend was proposed for the year ended 31 December 2019 (2018: Nil).

Reference is made to the announcement of the Company dated 24 March 2020 in relation to the unaudited annual results of the Company for the year ended 31 December 2019 (the "**2019 Unaudited Results Announcement**"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the 2019 Unaudited Results Announcement.

Reference is also made to (i) the announcements of the Company dated 29 April 2020, 21 July 2020, 27 July 2020 and 20 November 2020, in relation to, amongst others, an investigation on certain audit findings raised by the Company's previous auditors (the "**Forensic Review**"); (ii) the announcement of the Company dated 3 August 2020 in relation to the resignation of the previous auditors; and (iii) the announcements of the Company dated 14 August 2020, 16 August 2020 and 25 August 2020 in relation to the appointment of RSM Hong Kong as the auditors of the Company (the "**Auditors**").

As disclosed in the 2019 Unaudited Results Announcement, the financial information contained therein in respect of the annual results for the year ended 31 December 2019 (the "**2019 Annual Results**") have not been audited and have not been agreed with the Company's then auditors. It was further stated in the said announcement that the Company will, following the completion of the Forensic Review and the auditing process of the 2019 Annual Results, issue further announcement in relation to, among other things, the audited 2019 Annual Results as agreed by the Auditors.

Since the Forensic Review and the auditing process of the 2019 Annual Results are completed, the Company makes this announcement pursuant to Rule 13.49(3)(ii)(a) of the Listing Rules.

The following is the full text of the preliminary announcement based on the Company's financial statements for the year ended 31 December 2019 which have been agreed with the Auditors.

RESULTS

The board of directors (the "**Board**") of Natural Beauty Bio-Technology Limited ("**Natural Beauty**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, together with the comparative figures for 2018, as follows:

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**	2018
		HK$'000	*HK$'000*
Revenue	*4*	**438,413**	369,525
Cost of sales		**(172,843)**	(146,665)
Gross profit		**265,570**	222,860
Other income and other gains	*6*	**5,957**	8,077
Impairment losses on goodwill		**(3,541)**	–
Impairment losses, net of reversal	*7*	**(4,297)**	2,267
Distribution and selling expenses		**(149,683)**	(120,200)
Administrative expenses		**(72,492)**	(69,982)
Other expenses and other losses		**(3,183)**	(3,865)
Profit from operations		**38,331**	39,157
Finance costs		**(1,329)**	–
Profit before tax		**37,002**	39,157
Income tax expense	*8*	**(15,094)**	(12,898)
Profit for the year	*9*	**21,908**	26,259
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**114**	3,372
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(6,084)**	(32,421)
Other comprehensive income for the year, net of tax		**(5,970)**	(29,049)
Total comprehensive income for the year		**15,938**	(2,790)
Profit for the year attributable to:			
Owners of the Company		**21,908**	26,259
Total comprehensive income for the year attributable to:			
Owners of the Company		**15,938**	(2,790)
Earnings per share			
Basic	*11(a)*	**HK1.1 cents**	HK1.3 cents
Diluted	*11(b)*	**N/A**	N/A

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

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**268,191**	197,207
Investment properties		**7,928**	7,674
Right-of-use assets		**76,772**	–
Prepaid land lease payments		**–**	48,530
Goodwill		**27,383**	31,407
Intangible assets		**15,017**	17,122
Deposits for purchase of property, plant and equipment		**–**	20,528
Deferred tax assets		**2,181**	5,234
Pledged bank deposits		**–**	3,479
		397,472	331,181
Current assets			
Prepaid land lease payments		**–**	1,184
Inventories		**85,492**	74,313
Trade and other receivables	*12*	**124,762**	86,567
Contract costs		**429**	798
Amount due from related parties		**134**	420
Pledged bank deposits		**3,415**	3,479
Bank and cash balances		**145,696**	181,024
		359,928	347,785
Current liabilities			
Trade and other payables	*13*	**103,688**	93,501
Amount due to related parties		**370**	–
Contract liabilities		**27,376**	22,616
Borrowings		**14,556**	–
Lease liabilities		**7,566**	–
Current tax liabilities		**4,660**	9,695
		158,216	125,812
Net current assets		**201,712**	221,973
Total assets less current liabilities		**599,184**	553,154

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Borrowings		**10,400**	–
Lease liabilities		**20,339**	–
Retirement benefit obligations		**652**	1,299
		31,391	1,299
Net Assets		**567,793**	551,855
Capital and reserves			
Share capital		**200,210**	200,210
Reserves		**367,583**	351,645
Total Equity		**567,793**	551,855

Notes:

1. GENERAL INFORMATION

Natural Beauty Bio-Technology Limited (the "**Company**") was incorporated in the Cayman Islands on 29 June 2001 as an exempted company with limited liability. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1−1104, Cayman Islands. The address of its principal place of business is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is 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.

In the opinion of the directors of the Company, as at 31 December 2019, Far Eastern Silo & Shipping (Panama) S.A, Insbro Holdings Limited and Standard Cosmos Limited are substantial corporate shareholders of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rate applied by the relevant group entities range from 1.2% to 10.6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	27,422
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(11,912)
– lease of low-value assets	(50)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	1,716
	17,176
Less: total future interest expenses	(2,318)
Lease liabilities recongised as at 1 January 2019	14,858
Of which are:	
Current lease liabilities	3,859
Non-current lease liabilities	10,999
	14,858

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amount as at 31 December 2018**	**Reclassification**	**Recognition of leases**	**Carrying amount as at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Right-of-use assets	–	49,714	15,151	64,865
Prepaid land lease payments *(note)*	49,714	(49,714)	–	–
Trade and other receivables	12,134	–	(467)	11,667
Liabilities				
Trade and other payables	174	–	(174)	–
Lease liabilities	–	–	14,858	14,858

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

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operation	**38,331**	**6,394**	**(5,892)**	**38,833**	39,157
Finance costs	**(1,329)**	**1,163**	**–**	**(166)**	–
Profit before tax	**37,002**	**7,557**	**(5,892)**	**38,667**	39,157
Profit for the year	**21,908**	**7,557**	**(5,892)**	**23,573**	26,259

	2019			2018
		Estimated amounts related to operating leases as if under HKAS 17 *(note 1)* *(note 2)*		
	Amounts reported under HKFRS 16		**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**37,140**	**(5,892)**	**31,248**	111,489
Interest element of lease rentals paid	**(1,163)**	**1,163**	**–**	–
Net cash generated from operating activities	**18,901**	**(4,729)**	**14,172**	73,983
Capital element of lease rentals paid	**(4,729)**	**4,729**	**–**	–
Net cash used in financing activities	**20,024**	**4,729**	**24,753**	(96,101)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(d) Leasehold investment properties

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Revised conceptual Framework for Financial Reporting	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and service lines for the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Sales of goods	**423,261**	348,728
Service income	**15,152**	20,797
	438,413	369,525

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines and geographical regions:

	2019	2018
	HK$'000	*HK$'000*
Primary geographic markets		
The PRC	**303,756**	292,675
Taiwan	**131,080**	73,315
Others	**3,577**	3,535
	438,413	369,525

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
Products transferred at a point in time	**423,261**	348,728
Products and services transferred over time	**15,152**	20,797
	438,413	369,525

(b) 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 as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**27,376**	22,616

5. SEGMENT INFORMATION

The Group has three (2018: three) reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other reportable segment includes certain inactive operations. None of the segments meets any of the quantitative thresholds for determining reportable segment. The information of the other operating segments is included in the 'others' column.

Segment profits or losses do not include central administration costs, directors' salaries and interest income.

The Chief Operating Decision Maker ("**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.

Information about reportable segment profit or loss, assets and liabilities:

	The PRC *HK$'000*	**Taiwan** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2019				
Revenue from external customers	**303,756**	**131,556**	**3,101**	**438,413**
Segment profit/(loss)	**35,588**	**13,162**	**(235)**	**48,515**
Depreciation of property, plant and equipment	**17,201**	**5,448**	**41**	**22,690**
Depreciation of right-of-use assets	**5,143**	**1,167**	**84**	**6,394**
Impairment losses on goodwill	**3,541**	**–**	**–**	**3,541**
Amortisation of intangible assets	**1,816**	**–**	**–**	**1,816**
Loss on disposal of property, plant and equipment	**225**	**–**	**–**	**225**
(Reversal of)/allowance for obsolete inventories	**(153)**	**896**	**16**	**759**
Inventories write-off	**5,718**	**–**	**–**	**5,718**
Allowance/(reversal of allowance) for trade receivables	**4,372**	**20**	**(16)**	**4,376**

	The PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2018				
Revenue from external customers	292,675	73,315	3,535	369,525
Segment profit/(loss)	39,111	8,643	(67)	47,687
Depreciation of property, plant and equipment	18,258	4,963	23	23,244
Release of prepaid land 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	4,387	731	49	5,167
Inventories write-off	10,853	–	–	10,853
(Reversal of allowance)/ allowance for trade receivables	(2,170)	13	4	(2,153)

Reconciliations of segment revenue, profit or loss and assets:

	2019 ***HK$'000***	2018 *HK$'000*
Revenue		
Total revenue of reportable segments	**438,413**	369,525
Profit or loss		
Total profit of reportable segments	**48,515**	47,687
Unallocated corporate expenses	**(13,094)**	(11,550)
Unallocated income	**1,581**	3,020
Consolidated profit before tax	**37,002**	39,157

Geographical information:

The Group's information about its non-current assets by location of assets are detailed below:

	2019 ***HK$'000***	2018 *HK$'000*
Non-current assets		
The PRC	**317,739**	273,219
Taiwan	**76,545**	49,036
Others	**1,007**	213
Consolidated total	**395,291**	322,468

Note: Non-current assets excluded pledged bank deposits and deferred tax assets.

Revenue from major customers:

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

6. OTHER INCOME AND OTHER GAINS

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,581**	3,020
Fair value gain on investment properties	**137**	–
Rental income from investment properties	**238**	296
Rental income from other properties and equipment	**2,371**	1,958
Government grants *(note)*	**1,438**	2,230
Others	**192**	573
	5,957	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.

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019	2018
	HK$'000	*HK$'000*
Impairment/(reversal of impairment) losses recognised on:		
– Trade receivables	**4,376**	(2,153)
– Other receivables	**(79)**	(114)
	4,297	(2,267)

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2019	2018
	HK$'000	*HK$'000*
Current tax – PRC Enterprise income tax ("**EIT**")		
Provision for the year	**4,486**	14,125
Under/(Over) provision in prior years	**109**	(226)
	4,595	13,899
Current tax – Taiwan Corporate income tax		
Provision for the year	**3,182**	2,199
Under provision in prior years	**7**	5
	3,189	2,204
Current tax – Hong Kong Profits Tax and others		
Provision for the year	**84**	538
Under/(Over) provision in prior years	**498**	(135)
	582	403
Withholding tax	**3,912**	–
Deferred tax	**2,816**	(3,608)
	15,094	12,898

PRC EIT has been provided at a rate of 25% (2018: 25%). The statutory withholding income tax rate for non-PRC resident is 10% (2018:10%).

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 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 has been provided at a rate of 20% (2018: 20%).

Under the two-tiered profits tax regime, Hong Kong Profits Tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group's subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof.

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets	**1,816**	1,117
Amortisation of contract costs	**1,147**	5,315
Auditor's remuneration for audit services	**4,589**	2,714
Impairment/(reversal of impairment loss) for trade and other receivables	**4,297**	(2,267)
Allowance for obsolete inventories (included in cost of sales)	**759**	5,167
Inventories write-off (included in cost of sales)	**5,718**	10,853
Cost of inventories recognised as an expense	**131,492**	123,190
Direct operating expenses of properties and equipment that generate rental income	**327**	201
Depreciation of property, plant and equipment	**22,690**	23,244
Depreciation of right-of-use assets (included in cost of sales, selling expenses and administrative expenses)	**6,394**	–
Fair value gain on investment properties	**(137)**	–
Release of prepaid land lease payments	**–**	1,234
Impairment losses on goodwill	**3,541**	–
Loss on disposals of property, plant and equipment	**225**	970
Operating lease charges (included in cost of sales, selling expenses and administrative expenses)	**–**	27,019
Advertising and promotion expenses	**40,179**	19,864
Research and development cost	**5,051**	3,164
Net exchange loss	**1,244**	1,319

Cost of inventories sold included staff cost, depreciation and operating lease charges of approximately HK$61,742,000 (2018: HK$54,303,000) which are included in the amounts disclosed separately.

10. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
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

The directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$21,908,000 (2018: HK$26,259,000) and the weighted average number of ordinary shares of approximately 2,002,100,932 (2018: 2,002,100,932) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share for the year ended 31 December 2019 and 2018 is presented as the Company had no potential ordinary shares outstanding.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**105,494**	73,293
Less: Allowance for credit loss	**(6,678)**	(2,363)
	98,816	70,930
Prepayments	**21,229**	11,822
Deposits	**2,341**	2,857
Other receivables	**2,376**	958
	124,762	86,567

The Group allows an average credit period of 30 to 120 days to its trade customers who are qualified for credit sales. The credit period provided to customers can vary based on a number of factors including the customer's credit profile and sales promotion policy.

The ageing analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 180 days	**96,474**	63,554
Over 180 days	**2,342**	7,376
	98,816	70,930

The carrying amounts of the Group's net trade receivables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
HK$	**42**	75
Renminbi ("**RMB**")	**59,733**	64,424
New Taiwan dollar ("**NT$**")	**38,678**	6,058
Ringgit Malaysia	**363**	373
	98,816	70,930

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**26,242**	20,537
Deposits from franchisees	**25,164**	24,317
Other tax payables	**10,448**	14,229
Accruals	**27,004**	27,938
Other payables	**14,830**	6,480
	103,688	93,501

The ageing analysis of the Group's trade payables, based on the date of receipt of goods or service consumed, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**26,211**	18,843
91 days to 365 days	**17**	1,680
Over 365 days	**14**	14
	26,242	20,537

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
RMB	**8,344**	16,650
NT$	**17,898**	3,887
	26,242	20,537

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019:

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. Opening balances and comparative figures

The Group's consolidated financial statements for the year ended 31 December 2018, which form the basis for the comparative figures ("**Comparative Figures**") presented in the current year's consolidated financial statements, were audited by the predecessor auditor who had expressed an unmodified opinion thereon. However, the findings of two Forensic Accountant Review Reports dated 19 November 2020 revealed certain facts that indicate possible misstatements of financial information in prior periods.

1.1 Revenue recognition method possibly deviated from the Group's accounting policies

Certain subsidiaries of the Group in Mainland China ("**Relevant Subsidiaries**") recognised revenue upon dispatch of cosmetic products to the logistics service provider rather than upon the customers obtaining control of the goods when physical deliveries were made. This revenue recognition method deviates from the Group's accounting policies and had been adopted in prior reporting periods.

Due to the fact that the Group had not properly-maintained third-party goods delivery documents for the prior reporting periods that indicated the actual delivery date and the correct point of time for revenue recognition, we were unable to accurately quantify the possible financial impact, if any.

Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Group's reported revenue and cost of sales for the year ended 31 December 2018, and the reported carrying amounts of trade receivables, inventories and contract liabilities as at 31 December 2018, have been properly recorded in accordance with the Group's accounting policies.

1.2 Goods Exchange Promises possibly made before 2018

The Relevant Subsidiaries sold cosmetic products to customers while offering them rights of return in exchange for different products ("**Goods Exchange Promises**") in later periods. These Goods Exchange Promises were made verbally by sales personnel but the Relevant Subsidiaries had not maintained timely and complete records of them in prior reporting periods.

During the year ended 31 December 2018, the accounting records of the Relevant Subsidiaries recorded sales returns (including goods exchange) of approximately HK$23.1 million (inclusive of value-added tax). However, the accounting records had insufficient information to substantiate whether any portion of these sales returns were related to Goods Exchange Promises made in reporting periods prior to year 2018. Since the Relevant Subsidiaries had not maintained timely and complete records of Goods Exchange Promises in prior reporting periods, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Group's reported revenue and cost of sales for the year ended 31 December 2018, and the carrying amounts of right of return assets and refund liabilities as at 31 December 2018, have been properly accounted for in accordance with the Group's accounting policies. We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether Goods Exchange Promises were properly accounted for upon the Group's initial adoption of HKFRS 15 "Revenue from Contracts with Customers" on 1 January 2018.

1.3 Accounting treatment of a disputed sales contract

Former management of the Relevant Subsidiaries had approved a cosmetic product sales contract of approximately HK$8.3 million (inclusive of value-added tax) in June 2018 and the Group had made a related bad debt provision of HK$2.3 million in the same year. The carrying amount of the related trade receivable balance net of provision was approximately HK$2.2 million as at 31 December 2018.

Based on the documents we have inspected and the explanation of management, we were unable to determine the identity of the purported customer and the legal enforceability of the sales contract. Accordingly, we were unable to determine whether the relevant contract sum should have been recognised as revenue under HKFRS 15 "Revenue from Contracts with Customers" during the year ended 31 December 2018. We were also unable to determine whether the reported trade receivable with a carrying amount of approximately HK$2.2 million as at 31 December 2018 and the reported bad debt provision of approximately HK$2.3 million charged to the Group's consolidated income statement for the year then ended have been properly accounted for.

As the Relevant Subsidiaries had not properly-maintained the required accounting records and third-party documentary evidence as set out in paragraphs 1.1 to 1.3 above, we were unable to obtain sufficient appropriate audit evidence to conclude whether the relevant Comparative Figures were free from material misstatement. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the relevant Comparative Figures were free from material misstatement.

In addition, we were also unable to form an opinion as to whether the consolidated assets and liabilities of the Group as at 31 December 2018 presented as Comparative Figures were appropriately carried forward and recognised as opening balances as at 1 January 2019.

2. Goods Exchange Promises possibly made before 2019

The Relevant Subsidiaries recorded certain goods exchange (i.e. goods being returned from customers and replaced by different goods of same sales value) of approximately HK$4.2 million (inclusive of value-added tax) during the year ended 31 December 2019. Because of the insufficient information available in relation to the approval documents of these goods exchange and the fact that the Relevant Subsidiaries had not maintained timely and complete records of Goods Exchange Promises in prior reporting periods as described in paragraph 1.2 above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether these exchanged goods were related to Goods Exchange Promises made before the current year and consequently whether they were properly recorded in the current year. There were no alternative audit procedures that we could adopt to determine whether any adjustment to these amounts was necessary for the Group's current year consolidated financial statements.

Any adjustments that might be found necessary as a result of the matters described above might have a consequential effect on the Group's results and cashflows for the years ended 31 December 2019 and 2018, and the financial position of the Group as at 31 December 2018, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

Turnover of the Group in 2019 increased by 18.6% to HK$438.4 million compared with HK$369.5 million in 2018. The rise was mainly due to an increase of HK$74.5 million in product sales, such segment contributed to 96.5% of the Group's total turnover.

Turnover in the PRC market increased by 3.8% from HK$292.7 million in 2018 to HK$303.8 million in 2019, turnover in the Taiwan market increased by 79.4% to HK$131.6 million compared with HK$73.3 million in 2018.

Sales from other regions, including Hong Kong, Malaysia and Macau, decreased by 12.3% 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 60.6% 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 in 2019.

Turnover by activities	**2019**		2018		Changes	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Products	**423,261**	**96.5%**	348,728	94.4%	74,533	21.49%
Services	**15,152**	**3.5%**	20,797	5.6%	(5,645)	(27.1%)
Total	**438,413**	**100.0%**	369,525	100.0%	68,888	18.6%

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, Eastern Media International Corporation's ("**EMIC's**") sales platform, self-owned spas and concessionary counters at department stores. Product sales in 2019 amounted to HK$423.3 million, or 96.5% of the Group's total revenue, representing an increase of HK$74.5 million or by 21.4% 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 6.7% to HK$292.2 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 franchisees to join in. Currently the Group has three self-owned spas and two self-owned medical cosmetology centers 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 27.1% to HK$15.2 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 25.7% to HK$14.5 million compared with HK$19.5 million in 2018.

Service income	**2019**		2018		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Training income	**436**	**2.9%**	423	2.0%	13	3.2%
Spa/Medical cosmetology service income	**14,509**	**95.8%**	19,536	94.0%	(5,027)	(25.7%)
Others	**207**	**1.4%**	839	4.0%	(632)	(75.3%)
Total	**15,152**	**100.0%**	20,797	100.0%	(5,645)	(27.1%)

The PRC Market

The Group's turnover in the PRC market increased by 3.8% in 2019 to HK$303.8 million compared with HK$292.7 million in 2018. The rise was mainly due to an increase in the sales of products. Gross margin on product sales increased from 64.2% in 2018 to 67.6% 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 79.4% from HK$73.3 million in 2018 to HK$131.6 million in 2019. The significant increase in total sales of NB Taiwan was mainly driven by the increase in revenue from product sales through direct-sale stores and EMIC's sales platform. Gross profit margin on product sales decreased from 76.4% in 2018 to 65.9% in 2019. The key reason is that the gross profit margin of products sales via EMIC's sales platform channel in Taiwan is lower than the gross profit margin of product sales via existing channels.

Benefited from the operation strategy of EMI Group, NB products were sold through the distribution channels of EMI. In 2019, sales revenue from TV shopping, E-commerce and telemarketing channels in Taiwan market contributed HK$47.2 million to the Group, accounting for 36.9% of the product sales in Taiwan.

Turnover by geographical region	2019	2018	Changes	
	HK$'000	HK$'000	HK$'000	%
PRC				
Products	**292,242**	273,940	18,302	6.7%
Services	**11,514**	18,735	(7,221)	(38.5%)
PRC Total	**303,756**	292,675	11,081	3.8%
Taiwan				
Products	**127,923**	71,253	56,670	79.5%
Services	**3,633**	2,062	1,571	76.2%
Taiwan Total	**131,556**	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%)

Other income and other gains

Other income and other gains decreased by 26.2% from HK$8.1 million in 2018 to HK$6.0 million in 2019, mainly due to the decrease of interest income and government grants in 2019 by 47.7% and 35.5% respectively compared with that in 2018. Other income and other gains mainly comprised interest income, rental income from investment properties, other properties and equipment, government grants of HK$1.6 million, HK$2.6 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 34.1% in 2019 compared with 32.5% in 2018. The distribution and selling expenses increased by HK$29.5 million from HK$120.2 million in 2018 to HK$149.7 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$40.2 million, new products/business launching events and customers' training session expenses of HK$11.5 million, depreciation charges of HK$8.2 million, transportation charges of HK$4.2 million, and travelling and entertainment charges of HK$9.5 million in 2019.

Total administrative expenses increased by HK$2.5 million, or 3.6%, to HK$72.5 million in 2019 compared with HK$70.0 million in 2018. Administrative expenses mainly comprised staff costs and retirement benefits (including directors' emoluments) of HK$26.6 million, legal and professional fees of HK$15.4 million, depreciation and amortisation charges of HK$9.1 million and office and utilities expenses of HK$5.1 million in 2019.

Other expenses and other losses

Other expenses and other losses decreased by HK$0.7 million, from HK$3.9 million in 2018 to HK$3.2 million in 2019. Other expenses and other losses mainly included exchange loss of HK$1.2 million, and related expenses of rental of other property of HK$1.7 million in 2019.

Profit before tax

Taking into account of the pre-tax profit margin decreased to 8.4% in 2019 from 10.6% in 2018 in the Group, profit before tax decreased by 5.5% from HK$39.2 million in 2018 to HK$37.0 million in 2019.

Taxation

Taxation expenses increased by HK$2.2 million to HK$15.1 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 40.8% respectively.

Profit for the year

Profit for the year decreased by 16.6% from HK$26.3 million in 2018 to HK$21.9 million in 2019.

Liquidity and financial resources

Cash generated from operating activities in 2019 was approximately HK$18.9 million (HK$74.0 million in 2018). As at 31 December 2019, the Group had bank balances and cash of approximately HK$135.6 million (HK$158.2 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 total debt divided by shareholders' equity) in 2018 and 2019 were zero and 4.4% respectively. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2018 and 31 December 2019 were 2.76 times and 2.27 times respectively. As at 31 December 2019, the Group had no material contingent liabilities, other than those disclosed in its consolidated 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 bank borrowings with maturities falling due within one year, in the second to fifth years without repayment on demand clause and in the second to fifth years with repayment on demand clause were HK$1.1 million (2018: Nil), HK$10.4 million (2018：Nil) and HK$13.4 million (2018: Nil), and therefore the Group's net cash (exclude time deposits with maturities of over three months but less than one year) amounted to HK$110.6 million (2018: HK$158.2 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 freehold land, buildings and right-of-use assets related to leasehold land, with carrying amounts of HK$102.3 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 81.5% (82.9% as at 31 December 2018) of the Group's bank balances and cash was denominated in RMB, while approximately 9.7% (10.1% as at 31 December 2018) was denominated in NTD. The remaining 8.8% (7.0% 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 Center**	**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 Center	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	**364,000**	365,000	(1,000)	(0.27%)
Taiwan	**262.0**	246.5	**502,000**	297,000	205,000	69.02%
Group total**	**1,096.5**	1,048.0	**397,000**	349,000	48,000	13.75%

* 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 centers and 9 concessionary counters. Of these, 1,161 were franchised spas, while 11 spas, 2 medical cosmetology centers 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$397,000 in 2019.

Research and Development

The Group puts significant emphasis on research and development which allows it to maintain its competitive edge, 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 use 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 19.2% 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 sales by 3.6%. 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 9.2% of the total product sales.

In the same year, the Group successfully introduced holographic quantum robot and Natural Beauty seven function instruments, 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$123.1 million (HK$105.7 million in 2018), including retirement benefit related costs of HK$8.9 million (HK$8.6 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 Expenditures

The Group's capital expenditure of HK$76.4 million in 2019 was mainly related to the new plant construction in the PRC amounting to HK$60.7 million, opening of new stores, renovation and equipment amounting to HK$6.4 million and office and self-owned spa centre renovation amounting to HK$9.3 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$76.8 million (HK$64.9 million as at 1 January 2019) and its lease liabilities were HK$27.9 million (HK$14.9 million as at 1 January 2019). In 2019, depreciation charges of right-of-use assets amounted to HK$6.4 million and interest charges of lease liabilities amounted to HK$1.2 million.

OUTLOOK

During the period, the Group's business development continued to use group resources to improve service quality, product research, multi-channel layout, franchising, e-commerce, telemarketing, TV shopping, and foundry businesses, which grew rapidly through revenue diversification.

Important market development strategy

- Taiwan: Using the Group's abundant media resources to advertise its brands and products, and successfully selling the Group's products in all virtual retail channels of the Group, the growth momentum of revenue continued to increase.

- Mainland China: Continue to grow as a franchise chain, deploy new channels for TV shopping, e-commerce, etc., and introduce European and Korean brands to promote e-commerce business, while expanding the group's multi-brand and multi-national product richness.

Looking to the future, the Group will continue to enhance its competitiveness, consolidate its core business, and at the same time explore new business opportunities for innovation, and establish a steady, innovative and continuous growth.

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 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.

REVIEW OF AUDITED 2019 ANNUAL FINANCIAL STATEMENTS

The audited 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2019.

FINAL DIVIDEND

The Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM of the Company will be held on Friday, 15 January 2021. The Company will despatch a circular containing, among other matters, further information relating to the forthcoming AGM to shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of shareholders who are entitled to attend and vote at the forthcoming AGM, the Register of Members of the Company will be closed from Tuesday, 12 January 2021 to Friday, 15 January 2021, both days inclusive. In order to be eligible for attending and voting at the forthcoming AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 January 2021.

PUBLICATION OF AUDITED ANNUAL RESULTS ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITE

This audited annual 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 Annual Report for the year ended 31 December 2019 of the Company containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and will be published on the website of the Stock Exchange and that of the Company in due course.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of 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 the preliminary announcement have been agreed by the Auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 25 March 2020 and will remain suspended until further notice. 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, 30 November 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.