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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 2022**

HIGHLIGHTS:

- Revenue decreased by 31.1% to HK\$335.9 million.
- Profit before tax decreased by 148.6% to loss before tax HK\$23.5 million.
- Net profit decreased by 186.4% to net loss HK\$30.5 million.
- No final dividend was proposed for the year ended 31 December 2022 (2021: HK\$0.003 per share).

RESULTS

The board of directors (the “**Board**”) of Natural Beauty Bio-Technology Limited (“**Natural Beauty**” or the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(With comparatives for the year ended 31 December 2021)

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	4	335,880	487,810
Cost of sales		<u>(146,750)</u>	<u>(181,812)</u>
Gross profit		189,130	305,998
Other income and other gains	6	13,939	8,833
Impairment losses, net of reversal	7	(4,715)	3,980
Distribution and selling expenses		(139,262)	(181,591)
Administrative expenses		(68,562)	(83,638)
Loss on derecognition of intangible assets		(5,147)	–
Impairment loss on goodwill		(2,133)	–
Other expenses and other losses		<u>(2,455)</u>	<u>(3,102)</u>
(Loss)/profit from operations		(19,205)	50,480
Finance costs		(4,343)	(1,822)
Loss on disposal of a subsidiary		<u>–</u>	<u>(199)</u>
(Loss)/profit before tax		(23,548)	48,459
Income tax expense	8	<u>(6,924)</u>	<u>(13,195)</u>
(Loss)/profit for the year	9	<u>(30,472)</u>	<u>35,264</u>
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on investment property revaluation, net deferred tax		29,157	–
Remeasurement gains/(losses) on defined benefit pension plans		<u>971</u>	<u>(673)</u>
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(54,106)</u>	<u>18,103</u>

	2022	2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the year, net of tax	<u>(23,978)</u>	<u>17,430</u>
Total comprehensive income for the year	<u>(54,450)</u>	<u>52,694</u>
(Loss)/profit for the year attributable to:		
Owners of the Company	<u>(30,472)</u>	<u>35,264</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	<u>(54,450)</u>	<u>52,694</u>
(Loss)/earnings per share		
Basic	<i>11(a)</i> <u>(HK cents 1.52)</u>	<u>HK cents 1.76</u>
Diluted	<i>11(b)</i> <u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

(With comparatives at 31 December 2021)

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		197,046	335,099
Investment properties		228,714	9,532
Right-of-use assets		41,086	81,701
Goodwill		25,678	29,613
Intangible assets		–	5,651
Deposits for purchase of property, plant and equipment		236	255
Retirement benefits plan assets		700	–
Deferred tax assets		13,949	18,262
		<u>507,409</u>	<u>480,113</u>
Current assets			
Inventories		98,831	120,961
Trade and other receivables	12	97,179	131,969
Contract costs		281	319
Pledged bank deposits		–	3,745
Bank and cash balances		168,609	193,337
		<u>364,900</u>	<u>450,331</u>
Current liabilities			
Trade and other payables	13	106,531	109,777
Amount due to a related party		493	544
Contract liabilities		16,810	13,552
Borrowings		113,842	87,801
Lease liabilities		5,566	7,015
Current tax liabilities		7,535	19,277
		<u>250,777</u>	<u>237,966</u>
Net current assets		<u>114,123</u>	<u>212,365</u>
Total assets less current liabilities		<u>621,532</u>	<u>692,478</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Borrowings		6,024	9,482
Lease liabilities		18,046	24,776
Retirement benefit obligations		<u>—</u>	<u>302</u>
		<u>24,070</u>	<u>34,560</u>
NET ASSETS		<u>597,462</u>	<u>657,918</u>
Capital and reserves			
Share capital		200,210	200,210
Reserves		<u>397,252</u>	<u>457,708</u>
TOTAL EQUITY		<u>597,462</u>	<u>657,918</u>

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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is changed from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and effective on 15 August 2022. 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 2022, Far Eastern Silo & Shipping (Panama) S.A., Insbro Holdings Limited and Next Focus Holdings 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 with the disclosure requirements of the 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 Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Sales of goods	327,291	471,838
Service income	<u>8,589</u>	<u>15,972</u>
	<u>335,880</u>	<u>487,810</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Primary geographic markets		
The People's Republic of China (the "PRC")	222,748	279,805
Taiwan	102,680	203,065
Others	<u>10,452</u>	<u>4,940</u>
	<u>335,880</u>	<u>487,810</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
Products transferred at a point in time	327,291	471,838
Products and services transferred over time	<u>8,589</u>	<u>15,972</u>
	<u>335,880</u>	<u>487,810</u>

(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 2022 and the expected timing of recognising revenue as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>16,810</u>	<u>13,552</u>

5. SEGMENT INFORMATION

The Group has three (2021: 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 <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022				
Revenue from external customers	222,045	103,053	10,782	335,880
Segment (loss)/profit	(25,342)	9,060	2,326	(13,956)
Finance costs	3,805	430	108	4,343
Depreciation of property, plant and equipment	17,863	5,484	167	23,514
Depreciation of right-of-use assets	6,799	3,033	530	10,362
Amortisation of intangible assets	423	–	–	423
Loss/(gain) on disposal of property, plant and equipment	449	(21)	–	428
Loss on disposals of right-of-use assets	176	–	–	176
Obsolete inventories write-off	(96)	–	–	(96)
(Reversal of allowance)/allowance for slow-moving inventories	1,427	6,434	(531)	7,330
Inventories write-off	5,041	266	445	5,752
Allowance/(reversal of allowance) for trade receivables	2,105	2,610	–	4,715
Loss on derecognition of intangible assets	5,147	–	–	5,147
Impairment loss on goodwill	<u>2,133</u>	<u>–</u>	<u>–</u>	<u>2,133</u>
	<i>The PRC</i> <i>HK\$'000</i>	<i>Taiwan</i> <i>HK\$'000</i>	<i>Others</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
Year ended 31 December 2021				
Revenue from external customers	279,046	203,172	5,592	487,810
Segment (loss)/profit	(798)	65,490	(2,360)	62,332
Finance costs	1,510	217	95	1,822
Depreciation of property, plant and equipment	18,793	5,560	174	24,527
Depreciation of right-of-use assets	6,843	1,583	614	9,040
Amortisation of intangible assets	1,384	–	–	1,384
Loss on disposal of property, plant and equipment	157	1	–	158
Loss/(gain) on disposals of right-of-use assets	39	(2)	–	37
(Reversal of allowance)/allowance for slow-moving inventories	(4,188)	2,051	819	(1,318)
Inventories write-off	13,255	–	–	13,255
Reversal of allowance for trade receivables	<u>(3,980)</u>	<u>–</u>	<u>–</u>	<u>(3,980)</u>

Reconciliations of segment revenue, profit or loss and assets:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	<u>335,880</u>	<u>487,810</u>
Profit or loss		
Total profit of reportable segments	(13,956)	62,332
Unallocated corporate expenses	(11,246)	(15,926)
Unallocated income	<u>1,654</u>	<u>2,053</u>
Consolidated (loss)/profit before tax	<u>(23,548)</u>	<u>48,459</u>

Geographical information:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
The PRC	453,214	382,973
Taiwan	66,317	76,972
Others	<u>2,202</u>	<u>1,906</u>
Consolidated total	<u>521,733</u>	<u>461,851</u>

Note: Non-current assets excluded deferred tax assets.

Revenue from major customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	–	69,608
Customer B	30,116	59,575
Customer C	<u>13,103</u>	<u>–</u>

Each of the major customers represented a single external customer whose sale transaction is generated from the Group's Taiwan segment.

6. OTHER INCOME AND OTHER GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	1,654	2,053
Compensation income	1,902	–
Exchange gains	2,428	–
Fair value gain on investment properties	1,346	533
Rent concessions	429	–
Rental income from investment properties	241	241
Rental income from other properties and equipment	2,390	2,977
Government grants (note)	1,541	1,768
Others	2,008	1,261
	<u>13,939</u>	<u>8,833</u>

Note: The government grants mainly represent unconditional tax refunds received from the local government in compensation for taxes incurred and paid by the PRC operating subsidiaries of the Group, and COVID-19 related subsidies to a Taiwan operating subsidiary provided by the local government.

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment loss/(reversal of impairment) recognised on:		
Trade receivables	<u>4,715</u>	<u>(3,980)</u>

8. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – PRC Enterprise income tax (“EIT”)		
Provision for the year	–	1,856
(Overprovision)/under provision in prior years	<u>(181)</u>	<u>181</u>
	<u>(181)</u>	<u>2,037</u>
Current tax – Taiwan Corporate income tax		
Provision for the year	3,736	14,937
(Overprovision)/under provision in prior years	<u>(545)</u>	<u>107</u>
	<u>3,191</u>	<u>15,044</u>
Current tax – Hong Kong Profits Tax and others		
Provision for the year	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Withholding tax	<u>10,805</u>	<u>1,820</u>
Deferred tax	<u>(6,891)</u>	<u>(5,706)</u>
	<u>6,924</u>	<u>13,195</u>

PRC EIT has been provided at a rate of 25% (2021: 25%). The statutory withholding income tax rate for non-PRC resident is 10% (2021:10%).

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 10% (2021: 10%) and 21% (2021: 21%) on dividends that are declared in respect of profits earned by the PRC and Taiwan subsidiaries respectively and that are received by non-local resident entities. Withholding tax on dividends of nil (2021: HK\$752,000) and HK\$10,287,000 (2021: Nil) were recognised for the PRC and Taiwan respectively for the year ended 31 December 2022.

Corporate Income Tax in Taiwan has been provided at a rate of 20% (2021: 20%).

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2021: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2021: 16.5%). The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% (2021: 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. (LOSS)/PROFIT FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	423	1,384
Amortisation of contract costs	46	450
Auditor's remuneration for audit services		
– Audit services	2,949	2,344
– Non-audit services	21	200
Impairment/(reversal of impairment) for trade receivables	4,715	(3,980)
Obsolete inventories write-off	(96)	–
Allowance/(reversal of allowance) for slow-moving inventories (included in cost of sales)	7,330	(1,318)
Inventories write-off (included in cost of sales)	5,752	13,255
Cost of inventories recognised as an expense	143,389	153,014
Direct operating expenses of properties and equipment that generate rental income	478	353
Depreciation of property, plant and equipment	23,514	24,527
Depreciation of right-of-use assets (included in cost of sales, distribution and selling expenses and administrative expenses)	10,362	9,040
Fair value gain on investment properties	(1,346)	(533)
Loss on disposals of property, plant and equipment	428	158
Loss on disposals of right-of-use assets	176	37
Advertising and promotion expenses	13,285	45,126
Research and development cost	4,428	6,804
Net exchange (gain)/loss	<u>(2,428)</u>	<u>560</u>

Cost of inventories sold included staff cost, depreciation and operating lease charges of approximately HK\$28,703,000 (2021: HK\$43,028,000) which are included in the amounts disclosed separately.

10. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2021 Final of HK\$0.003 (2021: 2020 Final of HK\$0.003) per ordinary share	<u>6,006</u>	<u>6,006</u>

At the annual general meeting of the Company held on 25 May 2022, a final dividend of HK0.003 per share in respect of the year ended 31 December 2021 (2021: HK\$0.003 per share) was declared to be payable to the owners of the Company. The aggregate amount of the final dividend amounted to approximately HK\$6,006,000 is recognised as dividend payable as of 30 June 2022 (2021: HK\$6,006,000).

No dividends have been paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$30,472,000 (2021: earnings per shares is based on the profit attributable to owners of the Company of approximately HK\$35,264,000) and the weighted average number of ordinary share of approximately 2,002,100,932 (2021: 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 2022 and 2021 is presented as the Company had no potential ordinary shares outstanding.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	80,946	115,739
Less: Allowance for credit loss	<u>(5,147)</u>	<u>(582)</u>
	75,799	115,157
Prepayments	16,307	12,056
Deposits	1,712	3,338
Other receivables	3,361	1,273
Right-of-return assets	<u>–</u>	<u>145</u>
	<u><u>97,179</u></u>	<u><u>131,969</u></u>

The Group allows general credit period range from 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 180 days	68,304	104,751
Over 180 days	<u>7,495</u>	<u>10,406</u>
	<u><u>75,799</u></u>	<u><u>115,157</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	1,970	465
Renminbi ("RMB")	51,480	51,596
New Taiwan dollar ("NT\$")	21,503	63,066
Ringgit Malaysia ("MYR")	846	30
	<u>75,799</u>	<u>115,157</u>

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	9,764	15,151
Deposits from franchisees	24,746	28,582
Other tax payables	6,133	8,913
Accruals	29,141	46,040
Construction costs payable for investment properties	29,018	–
Other payables	7,729	10,710
Refund liabilities	–	381
	<u>106,531</u>	<u>109,777</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	9,254	15,143
91 days to 365 days	510	8
	<u>9,764</u>	<u>15,151</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	5,896	4,881
NT\$	3,733	10,270
MYR	135	–
	<u>9,764</u>	<u>15,151</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

Revenue of the Group in 2022 decreased by 31.1% to HK\$335.9 million compared to HK\$487.8 million in 2021. The decrease was mainly due to a decrease of HK\$144.5 million in product sales, such segment contributed to 97.4% of the Group's total revenue.

Revenue in the PRC market decreased by 20.4% from HK\$279.0 million in 2021 to HK\$222.0 million in 2022. Revenue in the Taiwan market decreased by 49.3% to HK\$103.1 million as compared to HK\$203.2 million in 2021.

Revenue from other regions, including Hong Kong, Malaysia and Macau, increased by 92.8% from HK\$5.6 million in 2021 to HK\$10.8 million in 2022. Contribution from these regions remained at an insignificant level of just 3.2% of the Group's revenue.

The Group's overall gross profit margin decreased from 62.7% in 2021 to 56.3% in 2022 mainly due to: (1) the changes in revenue mix of products bundling in the PRC market; and (2) COVID related policy implemented both in the PRC and Taiwan markets. In particular, the 2-month lockdown in Shanghai in the first half of 2022 has led to the accumulation of fixed costs which further imposes pressure on the gross profit margin.

Revenue by activities

	2022		2021		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	327,291	97.4%	471,838	96.7%	(144,547)	(30.6%)
Services	8,589	2.6%	15,972	3.3%	(7,383)	(46.2%)
Total	<u>335,880</u>	<u>100.0%</u>	<u>487,810</u>	<u>100.0%</u>	<u>(151,930)</u>	<u>(31.1%)</u>

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 beauty apparatus. Product sales are the Group's key revenue source and primarily generated from franchised spas, online and other sales platforms, self-owned spas and concessionary counters at department stores. Product sales in 2022 amounted to HK\$327.3 million, or 97.4% of the Group's total revenue, representing a decrease of HK\$144.5 million or by 30.6% when compared to product sales of HK\$471.8 million in 2021. The decrease in product sales was mainly driven by the decrease in revenue in such segment in the PRC market by 18.7% to HK\$214.2 million in 2022 as compared to HK\$263.7 million in 2021 and by the decrease in revenue in such segment in the Taiwan market by 49.3% to HK\$103.1 million in 2022 as compared to HK\$203.2 million in 2021.

Services

Service income is derived from our 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. As at 31 December 2022, the Group has two self-owned spas in the PRC and one self-owned spa in Malaysia.

The Group does not share any service income generated from spas run by franchisees under its current franchise arrangements. In 2022, service income decreased by 46.2% to HK\$8.6 million as compared to HK\$16.0 million in 2021.

Service income	2022		2021		%	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Training income	4	0.1%	24	0.2%	(20)	(83.3%)
Spa/Medical cosmetology service income	8,585	99.9%	14,565	91.2%	(5,980)	(41.1%)
Others	—	—	1,383	8.6%	(1,383)	(100%)
Total	<u>8,589</u>	<u>100.0%</u>	<u>15,972</u>	<u>100.0%</u>	<u>(7,383)</u>	<u>(46.2%)</u>

The PRC Market

The Group's revenue in the PRC market decreased by 20.4% in 2022 to HK\$222.0 million as compared with HK\$279.0 million in 2021. The decrease was mainly due to a decrease in the sales of products. Gross margin on product sales decreased from 61.6% in 2021 to 55.9% in 2022. The key reasons to the aforementioned changes are: (1) the changes in revenue mix of products bundling in the PRC market; and (2) COVID related policy implemented both in the PRC and Taiwan markets. In particular, the 2-month lockdown in Shanghai in the first half of 2022 has led to the accumulation of fixed costs which further imposes pressure on the gross profit margin.

Taiwan Market

The Group's revenue in the Taiwan market decreased by 49.3% from HK\$203.2 million in 2021 to HK\$103.1 million in 2022. The significant decrease in sales in the Taiwan market was mainly attributable to the “coexistence with virus and effective epidemic control” policy implemented in Taiwan which prompted a drastic increase in Taiwan's COVID cases within two months in the first half of 2022. The drastic increase of COVID cases in Taiwan had adversely affected the Group's operation in the Taiwan market. Gross profit margin on product sales decreased from 68.1% in 2021 to 63.6% in 2022. The key reason of the decrease in gross margin is the changes in business channels, which in turn changed the revenue mix.

Benefited from the operation strategy of Eastern Media International Corporation (“EMIC”) Group, the Group's products were sold through the distribution channels of EMIC. In 2022, sales revenue from TV shopping, E-commerce and telemarketing channels in the Taiwan market contributed HK\$36.0 million to the Group, accounting for 34.9% of the product sales in Taiwan.

Revenue by geographical region	2022	2021	Changes	
	HK\$'000	HK\$'000	HK\$'000	%
PRC				
Products	214,244	263,679	(49,435)	(18.7%)
Services	<u>7,801</u>	<u>15,367</u>	<u>(7,566)</u>	<u>(49.2%)</u>
PRC Total	<u>222,045</u>	<u>279,046</u>	<u>(57,001)</u>	<u>(20.4%)</u>
Taiwan				
Products	103,053	203,165	(100,112)	(49.3%)
Services	<u>—</u>	<u>7</u>	<u>(7)</u>	<u>(100.0%)</u>
Taiwan Total	<u>103,053</u>	<u>203,172</u>	<u>(100,119)</u>	<u>(49.3%)</u>
Others				
Products	9,994	4,994	5,000	100.1%
Services	<u>788</u>	<u>598</u>	<u>190</u>	<u>31.8%</u>
Others Total	<u>10,782</u>	<u>5,592</u>	<u>5,190</u>	<u>92.8%</u>

Other income and other gains

Other income and other gains increased by 57.8% from HK\$8.8 million in 2021 to HK\$13.9 million in 2022. Other income and other gains in 2022 mainly comprised rental income from properties and equipment, interest income, government grants, compensation income and exchange gains of HK\$2.6 million, HK\$1.7 million, HK\$1.5 million, HK\$1.9 million and HK\$2.4 million respectively.

Selling and administrative expenses

Distribution and selling expenses as a percentage of the Group's revenue increased to 41.5% in 2022 compared with 37.2% in 2021. The distribution and selling expenses decreased by HK\$42.3 million from HK\$181.6 million in 2021 to HK\$139.3 million in 2022. Staff costs in relation to distribution work decreased by HK\$7.0 million to HK\$73.3 million in 2022 from HK\$80.3 million in 2021. Other key expenses included advertising expenses of HK\$13.2 million, depreciation and amortisation charges of HK\$15.3 million, transportation charges of HK\$9.3 million, Consulting and service fees of HK\$12.0 million, travelling and entertainment charges of HK\$5.5 million and rental expenses of HK\$2.8 million in 2022.

Total administrative expenses decreased by HK\$15.0 million, to HK\$68.6 million in 2022 as compared to HK\$83.6 million in 2021. Administrative expenses mainly comprised staff costs and retirement benefits (including directors' emoluments) of HK\$31.3 million, legal and professional fees of HK\$10.2 million, depreciation and amortisation charges of HK\$8.5 million and research, development expenses of HK\$4.4 million and office and utility expense HK\$5.7 million in 2022.

Other expenses and other losses

Other expenses and other losses decreased by HK\$0.6 million, from HK\$3.1 million in 2021 to HK\$2.5 million in 2022. Other expenses and other losses mainly included related expenses of rental of other properties of HK\$1.4 million, and loss on disposal of property, plant and equipment of HK\$0.4 million in 2022.

(Loss)/Profit before tax

Taking into account of the fact that pre-tax profit margin decreased to -7.0% in 2022 from 9.9% in 2021 in the Group, the profit before tax was approximately HK\$48.5 million in 2021 as compared to the loss before tax of HK\$23.5 million in 2022.

Taxation

Taxation expenses decreased to HK\$6.9 million in 2022 as compared to HK\$13.2 million in 2021. The effective tax rates of the Group in 2021 and 2022 were 27.2% and 29.4% respectively.

(Loss)/Profit for the year

The Group's net loss was approximately HK\$30.5 million in 2022 as compared to the net profit of approximately HK\$35.3 million in 2021.

Liquidity and financial resources

Cash generated from operating activities in 2022 was approximately HK\$11.6 million (HK\$44.6 million in 2021). As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$160.6 million (HK\$184.5 million as at 31 December 2021) with approximately HK\$119.9 million of external bank borrowings (HK\$97.3 million as at 31 December 2021).

In terms of gearing, the Group's gearing ratios (defined as total bank borrowings divided by shareholders' equity) in 2021 and 2022 were 14.8% and 20.1% respectively. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2021 and 31 December 2022 were 1.89 times and 1.46 times respectively. As at 31 December 2022, 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 2022, 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\$30.5 million (2021: HK\$34.5 million), HK\$6.0 million (2021: HK\$9.5 million) and HK\$83.4 million (2021: HK\$53.3 million) respectively, and therefore the Group's net cash (exclude time deposits with maturities of over three months but less than one year) amounted to HK\$40.7 million for the year ended 31 December 2022 (2021: HK\$87.2 million). These bank borrowings were denominated in Renminbi ("RMB") and New Taiwan Dollars ("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 2022, 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\$92.4 million (HK\$102.4 million as at 31 December 2021).

Share Award Schemes

Reference is made to the announcement of the Company dated 25 May 2022. The Board has adopted two share award schemes, namely Scheme I and Scheme II (together, the “**Share Award Schemes**”) on 25 May 2022 (the “**Adoption Date**”). The purpose and objective of Scheme I are: (i) to recognise the contributions by certain Eligible Participants and to closely align executive interests with the growth and financial achievements of the Group; and (ii) to provide a performance-driven long-term incentive award to motivate and retain key senior management. The purpose and objective of Scheme II are: (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Schemes shall be valid and effective for a term of ten years commencing from the Adoption Date. During the twelve months ended 31 December 2022, no share award was granted under the Share Award Schemes.

Treasury policies and exposure to fluctuations in exchange rates

Most of the Group’s revenues are denominated in RMB and NTD as its operations are mainly located in the PRC and Taiwan. As at 31 December 2022, approximately 58.1% (68.0% as at 31 December 2021) of the Group’s bank balances and cash was denominated in RMB, while approximately 37.9% (27.6% as at 31 December 2021) was denominated in NTD. The remaining 4.0% (4.4% as at 31 December 2021) was denominated in United States Dollars, Hong Kong Dollars and Malaysian Ringgit. The Group continues to adopt a conservative approach in its foreign exchange exposure management. For the year ended 31 December 2022, the Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

BUSINESS REVIEW

Distribution channels

For revenue by sales channel, the Group achieved HK\$290.4 million sales from franchised/self-owned spas, medical cosmetology centers and counters in 2022 which decreased by HK\$51.0 million as compared to the figure in 2021 (2021: HK\$341.4 million), representing 86.5% of the Group’s total revenue (2021: 70.0%).

For sales from E-commerce, TV shopping and telemarketing channels, the Group achieved HK\$45.4 million sales which decreased by HK\$101.0 million compared to 2021 (2021: HK\$146.4 million), representing 13.5% of the Group’s total revenue (2021: 30.0%).

Store Number by Ownership	Franchisee- owned Spa	Self-owned Spa	Total Spa	Self-owned Counter	Self-owned Medical	Total
					Cosmetology Center	
As at 31 December 2022						
PRC	1,049	2	1,051	9	0	1,060
Taiwan	329	0	329	0	0	329
Others	<u>27</u>	<u>1</u>	<u>28</u>	<u>0</u>	<u>0</u>	<u>28</u>
Total	<u>1,405</u>	<u>3</u>	<u>1,408</u>	<u>9</u>	<u>0</u>	<u>1,417</u>

Store Number by Ownership	Franchisee- owned Spa	Self-owned Spa	Total Spa	Self-owned Counter	Self-owned Medical	Total
					Cosmetology Center	
As at 31 December 2021						
PRC	968	3	971	10	1	982
Taiwan	346	0	346	0	0	346
Others	<u>24</u>	<u>1</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>25</u>
Total	<u>1,338</u>	<u>4</u>	<u>1,342</u>	<u>10</u>	<u>1</u>	<u>1,353</u>

The Group derives its income principally from its network of distribution channels, including spas and concessionary counters in department stores. As at 31 December 2022, there were 1,408 spas and 9 concessionary counters. Of these, 1,405 were franchised spas, while 3 spas and 9 concessionary counters were directly operated and owned 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 140 (2021: 255) new stores were opened and 76 (2021: 119) stores were closed during the year ended 31 December 2022.

Research and Development

Natural Beauty places a strong emphasis on research and development and strives to maintain its competitive advantage. Our primary objective is to develop new products along with optimizing their quality and efficacy. The philosophy of Natural Beauty is “Human Testimonies, Material Evidences and Scientific Witnesses”. Therefore, the core value of our R&D team is the combination of basic research and industry-university collaboration. The R&D team consists of over ten experienced researchers in the fields of cosmetics, medicine, pharmacy, and biochemistry, as well as a number of top beauty and biochemistry consultants from both domestic and overseas. To develop new technologies, the R&D team collaborates with professional laboratories in Europe, Japan, Australia and other countries. In terms of hardware equipment, our group has established two research and development centers: the Natural Beauty Biotechnology R&D Center and the Dongsan-NTU Industry-University Cooperation Center. Our collaboration with NTU effectively leverages Natural Beauty’s research strengths and resources, facilitating product development and technology transfer and creating a win-win situation by cultivating talent, enhancing our R&D vitality and boosting profits.

In terms of patent portfolio, Natural Beauty has devoted significant effort to developing its own intellectual property rights, and has obtained three stem cell patents (US 7,405,195B2), (TW I331042), (US 8,076,296B2), and a plant extraction patent (TW I640505). In order to further develop its plant patents, our group has collaborated with National Taiwan University and National Yang Ming Chiao Tung University. Research data shows that it possesses a unique ability to activate hair follicles. Currently, we have a pending patent application and are developing scalp care products. In addition, the upgrade of the classic NB-1 series is the annual highlight in 2022. Our R&D team has introduced MicroRNA Gene activation technology to activate the circadian rhythm of skin cells with MicroRNA and promote cell rejuvenation and repair. Each year, we invite scholars from industry, government, and academia to co-hold an industry-university summit where we discuss the development direction, projects, and product quality with our R&D, distribution, and marketing teams. Our group has continuously worked closely with academia to enhance our innovative development capabilities.

Products

In July 2022, Natural Beauty launched an affordable moisturizing mask to attract new consumers. By the end of 2022, the sales volume approached 52,959pcs. In November, we upgraded the classic NB-1 series to enhance its core competitiveness. In the second half of 2022, sales of the NB-1 series reached HK\$32.4 million (RMB28.6 million). Taking advantage of the booming healthcare market, the Spain INDIBA deep diathermy sold 108 sets and generated HK\$37.9 million (RMB33.5 million) by the end of the year. Throughout the year of 2022, we launched a total of 43 new products and brought in HK\$16.4 million (RMB14.5 million) in revenue.

In October, we launched a new brand called B.U.T. ESSE and organized co-brand show activities, which generated HK\$1.2 million (RMB1.0 million), opening a new chapter for the Natural Beauty Group.

Human Resources

As at 31 December 2022, the Group had a total of 497 employees, of whom 339 were based in the PRC, 137 in Taiwan and 21 in other countries and regions. Total remuneration (excluding directors' emoluments) in 2022 was approximately HK\$124.7 million (HK\$146.1 million in 2021), including retirement benefit related costs of HK\$10.8 million (HK\$10.9 million in 2021). Competitive remuneration packages are maintained to attract, retain and motivate capable staff members and are reviewed on a regular basis.

Capital Expenditures

The Group's capital expenditure of HK\$44.3 million in 2022 was mainly related to the new plant construction in the PRC amounting to HK\$29.3 million, opening of new stores, renovation and equipment amounting to HK\$13.1 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-of-use assets and lease liabilities are mainly located in the PRC and Taiwan. As at 31 December 2022, the Group's right-of-use assets were HK\$41.1 million (HK\$81.7 million as at 31 December 2021) and its lease liabilities were HK\$23.6 million (HK\$31.8 million as at 31 December 2021). In 2022, depreciation charges of right-of-use assets amounted to HK\$10.4 million and interest charges of lease liabilities amounted to HK\$1.3 million.

OUTLOOK

The business growth affected by the epidemic has entered a new era by the end of 2022. In particular, the new epidemic policy has brought positive development in Mainland China. Looking forward to 2023, significant business growth can be expected. Eastern International Co., Ltd. ("**Eastern International**") continues to invest in innovative services, product development, chain franchising, e-commerce, telemarketing and TV shopping to accelerate the development of multi-brand strategies. We have entered into the live-streaming channel era where new businesses spring up every day to engage with young consumers.

Key Market Development Strategies

- Taiwan: Natural Beauty continues the multi-channel strategy and develops the live-streaming channel cooperating with global influencers. As the result, we have seen positive achievements in promoting affordable products via live-streaming platforms. Multi-brand strategy can meet the product needs of different live-streaming platforms, make full use of product development and mass production, and promote business growth. Plus, immunity concern has become the focus of consumption in the post-epidemic era, we have deployed a large number of essential health supplements to chain stores and other channels to boost sales opportunities.

- Mainland China: The new epidemic policy has positively affected the brick and mortar store business and driven sales performance back to normal. In 2023, in addition to increasing investment, we continue to rapidly expand chain stores by leveraging our brand power. Meanwhile, we introduce health supplements to seize the business opportunity of immunity-boosting products after the epidemic. Moreover, our new e-commerce brand is also ready to launch, with affordable products to approach online young people along with increasingly investing in huge traffic Tiktok platform to drive e-commerce growth.

- Southeast Asia market: Following the first own shop opening in 2019, the second store was opened at the beginning of 2023, and we continue to expand our franchise business in Malaysia. Furthermore, we plan to enter Vietnam in 2023 to expand overseas market.

Looking ahead to 2023, we will continue to enhance brand recognition, effectively promote core business, drive innovation, develop the global market, and pursue leap-forward 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 (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. These committees (saved for the executive committee) are chaired by independent non-executive Directors.

Audit Committee and Review of 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 audited consolidated financial statements of the Company for the year ended 31 December 2022 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.

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 A.2.1 of the CG Code for the year ended 31 December 2022.

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 Listing Rules and the CG Code

The Board is of the view that throughout the year of 2022, the Company has fully applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

Code provision F.2.2 stipulates that the chairman of the board of a listed issuer should attend the annual general meeting (“AGM”). The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees to attend. In their absence, the chairman of the board should invite another member of the committee or failing this, their duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

On the AGM held on 25 May 2022, Mr. YANG Shih-Chien, the chairman of the nomination committee, was unable to attend the Company’s AGM. The Board arranged for Mr. LU Chi-Chant, an independent non-executive Director and a member of the nomination committee, who is well versed in all business activities and operations of the Group, to attend the 2022 AGM to respond to shareholders’ questions.

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 2022 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 C.1.3. 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.

REVIEW OF AUDITED 2022 ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the year ended 31 December 2022 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 purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK\$0.003 per share).

AGM

The forthcoming AGM of the Company will be held on Thursday, 25 May 2023. 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.

CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the identity of shareholders who are entitled to attend and vote at the 2023 AGM, the Register of Members of the Company will be closed from Thursday, 18 May 2023 to Thursday, 25 May 2023, both days inclusive. In order to be eligible for attending and voting at the 2023 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 Wednesday, 17 May 2023.

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

This announcement is 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 2022 of the Company containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and 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 2022 as set out in the preliminary announcement have been agreed by the Group auditor, 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 and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 10 March 2023

As at the date of this announcement, the Board comprises Dr. Lei Chien and Mr. Lin Chia-Wei 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. Lin Tsalm-Hsiang and Mr. Yang Shih-Chien as independent non-executive directors.