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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
THE AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of Natural Beauty Bio-Technology Limited (the “**Company**”) dated 24 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the “**2019 Unaudited Annual Results Announcement**”) and its announcement dated 30 November 2020 in relation to the audited annual results for the year ended 31 December 2019 (the “**2019 Audited Annual Results Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the 2019 Unaudited Annual Results Announcement and the 2019 Audited Annual Results Announcement unless the context requires otherwise.

EXPLANATION OF THE DIFFERENCES BETWEEN THE UNAUDITED 2019 ANNUAL RESULTS AND THE AUDITED 2019 ANNUAL RESULTS

Since the financial information contained in the 2019 Unaudited Annual Results Announcement was neither audited nor agreed with the Company’s then auditors as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the differences between financial information contained in the 2019 Unaudited Results Announcement and the 2019 Audited Results Announcement of the Company and its subsidiaries (collectively referred to as the “**Group**”). In this regard, the Company hereby sets forth details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Key financial information of the Group for the year ended 31 December 2019

	Disclosed in the 2019 Unaudited Results Announcement HK\$'000	Disclosed in the 2019 Audited Results Announcement HK\$'000	Difference HK\$'000	<i>Notes</i>
Revenue	464,425	438,413	(26,012)	1
Profit attributable to owners of the Company	29,813	21,908	(7,905)	2
Profit for the year	29,813	21,908	(7,905)	2
Total assets	799,753	757,400	(42,353)	3
Total liabilities	200,212	189,607	(10,605)	4
Total equity	599,541	567,793	(31,748)	3, 4
Total equity attributable to owners of the Company	599,541	567,793	(31,748)	3, 4

Notes:

1. During the Forensic Review process, the Group identified that revenue of approximately HK\$26.0 million previously recognised and disclosed in the 2019 Unaudited Results Announcement was derived from goods received by customers after 31 December 2019. Accordingly, the Group's revenue in the audited 2019 Annual Results was adjusted downward by HK\$26.0 million ("**Revenue Adjustment**"). The Group had re-examined the revenue recognition process of its subsidiaries in the PRC and identified the deviation from the Group's accounting policies and carried out procedures to verify the actual delivery dates of all sales orders placed in December 2019 to ascertain the required Revenue Adjustment.
2. The decrease in profit attributable to owners of the Company and profit for the year as disclosed in the 2019 Audited Results Announcement as compared with that were disclosed in the 2019 Unaudited Results Announcement by approximately HK\$7.9 million were mainly caused by:
 - a) As a result of the Revenue Adjustment, the corresponding cost of sales was adjusted downward by HK\$6.2 million, and resulting in a decrease in gross profits of approximately HK\$19.8 million.
 - b) Advertising expenses were adjusted downward by approximately HK\$9.0 million in the audited 2019 Annual Results. The decrease was mainly caused by apportioning such expenses by the contract terms instead of being fully recognised under the unaudited 2019 Annual Results. Management of the Group is of the opinion that the new expense apportionment method can better reflect the pattern of consumption of such advertising service.
 - c) Impairment loss on goodwill regarding medical aesthetics services in the PRC was HK\$5.5 million as disclosed in the 2019 Unaudited Results Announcement. In the 2019 Audited Results Announcement, the amount of goodwill impairment was reduced to HK\$3.5 million as a result of engaging external professional valuer to assist management in estimating the proper discount rate used in the impairment assessment.

- d) Further impairment loss on trade receivables of approximately HK\$2.1 million was made in the audited 2019 Annual Results due to a customer with significant outstanding balances was assessed individually based on its circumstances.
 - e) Additional accrual of audit fee of approximately of HK\$1.6 million required for the previous auditor was adjusted in the audited 2019 Annual Results.
 - f) Other expenses and finance costs were reduced by approximately HK\$1 million in the 2019 Audited Annual Results Announcement.
 - g) As a result of the above changes, the aggregate effect on decrease in income tax of approximately HK\$3.6 million was reflected in the audited 2019 Annual Results.
3. The decrease in total assets as disclosed in the 2019 Audited Results Announcement as compared with that was disclosed in the 2019 Unaudited Results Announcement by approximately HK\$42.3 million was mainly caused by:
- a) In the 2019 Unaudited Annual Results Announcement, part of the headquarter building was reclassified as investment properties with a HK\$31.8 million revaluation gain. After discussing with the Group's auditor, the management of the Group agreed that it did not fulfil the recognition criteria of investment properties in HKAS 40 – Investment Property. As a result, the whole headquarter building was treated as property, plant and equipment as before and hence no revaluation gain was recorded in the total assets under the audited 2019 Annual Results.
 - b) In relation to certain leases of which HKFRS 16 – Leases might be applicable, after discussion with the Group's auditor, the management of the Group had re-examined the relevant lease contracts and confirmed that these leases could be exempted from applying HKFRS 16 – Leases, resulting in a decrease of approximately HK\$10.6 million in right-to-use assets and lease liabilities respectively.
 - c) Revenue Adjustment resulted in a corresponding decrease in trade and other receivables by HK\$24.4 million, a corresponding increase in inventory by HK\$6.2 million and a corresponding increase in deferred tax assets by HK\$5.0 million. As a result, a net decrease in total assets by HK\$13.2 million was recorded in the audited 2019 Annual Results.
 - d) There was an increase of HK\$5.3 million in total assets under the audited 2019 Annual Results owing to recognition of construction projects in progress in accordance with the construction supervision report confirming progress of the relevant construction projects.
 - e) During the auditing process, the management of the Group identified certain trade receivables and contract liabilities relating to the same customers were disclosed on net basis in the unaudited 2019 Annual Results. After discussion with the Group's auditor, the management of the Group has adjusted and disclosed the trade receivables and contract liabilities separately and resulted in an increase of HK\$2.9 million in total assets (as well as total liabilities).
 - f) Due to advertising expenses adjustment of approximately HK\$9.0 million as set out in note 2(b) above, there were a related increase in prepayment of approximately of HK\$9.0 million and a related decrease of deferred tax assets by HK\$2.3 million. As a result, the Group's total assets as at 31 December 2019 was increased by HK\$6.7 million and the same was reflected in the 2019 Audited Results Announcement.

4. The decrease in total liabilities in the audited 2019 Annual Results as compared with that was disclosed in the 2019 Unaudited Results Announcement by approximately HK\$10.6 million was mainly caused by:
- a) Decrease in lease liabilities of approximately HK\$10.6 million as disclosed in the 2019 Audited Results Announcement which has been mentioned in note 3(b) above.
 - b) Decrease in deferred tax liabilities by approximately HK\$9.1 million which was mainly due to a corresponding decrease of deferred tax liability as a result of 3(a) above and other deferred tax movements.
 - c) The increase in contract liabilities of approximately HK\$9.1 million in the audited 2019 Annual Results was due to reasons mentioned in note 1 and note 3(e) above and reclassification from other payables.
 - d) Other adjustments cancelling the impact with each other such as: (1) approximately HK\$3.4 million reduction of value-added-tax payable as a result of Revenue Adjustment, (2) HK\$5.3 million increase of other payables due to recognition of construction in progress as mentioned in note 3(d), and (3) HK\$1.9 million reduction of other payables due to reclassification.

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 of directors 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.