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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 2021**

HIGHLIGHTS:

- Revenue increased by 18.8% to HK\$487.8 million.
- Profit before tax increased by 439.5% to HK\$48.5 million.
- Net profit increased by 354.6% to HK\$35.3 million.
- Final Dividend of HK\$0.003 per share was proposed for the year ended 31 December 2021 (2020: HK\$0.003 per share).

RESULTS

The board of directors (the “**Board**”) of Natural Beauty Bio-Technology Limited (“**Natural Beauty**” or the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(With comparatives for the year ended 31 December 2020)

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	487,810	410,673
Cost of sales		<u>(181,812)</u>	<u>(170,248)</u>
Gross profit		305,998	240,425
Other income and other gains	6	8,833	13,475
Impairment losses, net of reversal	7	3,980	(2,053)
Distribution and selling expenses		(181,591)	(149,839)
Administrative expenses		(83,638)	(84,221)
Other expenses and other losses		<u>(3,102)</u>	<u>(7,146)</u>
Profit from operations		50,480	10,641
Finance costs		(1,822)	(1,658)
Loss on disposal of a subsidiary		<u>(199)</u>	<u>–</u>
Profit before tax		48,459	8,983
Income tax expense	8	<u>(13,195)</u>	<u>(1,225)</u>
Profit for the year	9	<u>35,264</u>	<u>7,758</u>
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement (losses)/gains on defined benefit pension plans		<u>(673)</u>	<u>151</u>
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>18,103</u>	<u>35,528</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income for the year, net of tax		<u>17,430</u>	<u>35,679</u>
Total comprehensive income for the year		<u><u>52,694</u></u>	<u><u>43,437</u></u>
Profit for the year attributable to:			
Owners of the Company		<u><u>35,264</u></u>	<u><u>7,758</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u><u>52,694</u></u>	<u><u>43,437</u></u>
Earnings per share			
Basic	<i>11(a)</i>	<u><u>HK cents 1.76</u></u>	<u><u>HK cents 0.39</u></u>
Diluted	<i>11(b)</i>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

(With comparatives at 31 December 2020)

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		335,099	309,540
Investment properties		9,532	8,817
Right-of-use assets		81,701	57,037
Goodwill		29,613	28,818
Intangible assets		5,651	14,054
Deposits for purchase of property, plant and equipment		255	2,982
Deferred tax assets		18,262	10,243
		<u>480,113</u>	<u>431,491</u>
Current assets			
Inventories		120,961	103,280
Trade and other receivables	12	131,969	130,896
Contract costs		319	699
Pledged bank deposits		3,745	3,628
Bank and cash balances		193,337	161,978
		<u>450,331</u>	<u>400,481</u>
Current liabilities			
Trade and other payables	13	109,777	123,338
Amount due to related parties		544	329
Contract liabilities		13,552	11,830
Borrowings		87,801	54,273
Lease liabilities		7,015	5,213
Current tax liabilities		19,277	9,682
		<u>237,966</u>	<u>204,665</u>
Net current assets		<u>212,365</u>	<u>195,816</u>
Total assets less current liabilities		<u>692,478</u>	<u>627,307</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Borrowings		9,482	13,254
Lease liabilities		24,776	2,281
Retirement benefit obligations		302	542
		<u>34,560</u>	<u>16,077</u>
NET ASSETS		<u>657,918</u>	<u>611,230</u>
Capital and reserves			
Share capital		200,210	200,210
Reserves		457,708	411,020
TOTAL EQUITY		<u>657,918</u>	<u>611,230</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, 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 2021, 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 4 and HKFRS 16

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

The amendments do not have an impact on the Group's consolidated statement of financial position.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment – Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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:

	2021 <i>HK\$'000</i>	2020 <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	471,838	394,807
Service income	<u>15,972</u>	<u>15,866</u>
	<u>487,810</u>	<u>410,673</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Primary geographic markets		
The People's Republic of China (the "PRC")	279,805	212,480
Taiwan	203,065	194,161
Others	<u>4,940</u>	<u>4,032</u>
	<u>487,810</u>	<u>410,673</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition		
Products transferred at a point in time	471,838	394,807
Products and services transferred over time	<u>15,972</u>	<u>15,866</u>
	<u>487,810</u>	<u>410,673</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 2021 and the expected timing of recognising revenue as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	<u>13,552</u>	<u>11,830</u>

5. SEGMENT INFORMATION

The Group has three (2020: 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 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 obsolete 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>
	<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 2020				
Revenue from external customers	206,469	194,646	9,558	410,673
Segment (loss)/profit	(8,307)	33,431	322	25,446
Finance costs	1,035	517	106	1,658
Depreciation of property, plant and equipment	18,419	7,088	84	25,591
Depreciation of right-of-use assets	4,581	4,715	576	9,872
Amortisation of intangible assets	1,797	–	–	1,797
Loss on disposal of property, plant and equipment	1,982	1,158	–	3,140
Gain on disposals of right-of-use assets	(89)	–	(4)	(93)
(Reversal of)/allowance for obsolete inventories	(837)	2,143	181	1,487
Inventories write-off	11,059	–	–	11,059
Allowance for trade receivables	<u>2,052</u>	<u>1</u>	<u>–</u>	<u>2,053</u>

Reconciliations of segment revenue, profit or loss and assets:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	<u>487,810</u>	<u>410,673</u>
Profit or loss		
Total profit of reportable segments	62,332	25,446
Unallocated corporate expenses	(15,927)	(18,205)
Unallocated income	<u>2,054</u>	<u>1,742</u>
Consolidated profit before tax	<u>48,459</u>	<u>8,983</u>

Geographical information:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
The PRC	382,973	359,225
Taiwan	76,972	59,688
Others	<u>1,906</u>	<u>2,335</u>
Consolidated total	<u>461,851</u>	<u>421,248</u>

Note: Non-current assets excluded deferred tax assets.

Revenue from major customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	69,608	34,056
Customer B	<u>59,575</u>	<u>76,343</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on bank deposits	2,053	1,742
Fair value gain on investment properties	533	379
Rental income from investment properties	241	213
Rental income from other properties and equipment	2,977	2,405
Gain on disposal of right-of-use assets	–	93
Government grants (note)	1,768	7,771
Others	<u>1,261</u>	<u>872</u>
	<u>8,833</u>	<u>13,475</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 by the local government.

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Reversal of impairment)/impairment loss recognised on:		
Trade receivables	<u>(3,980)</u>	<u>2,053</u>

8. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – PRC Enterprise income tax (“EIT”)		
Provision for the year	1,856	267
Under provision in prior years	<u>181</u>	<u>692</u>
	<u>2,037</u>	<u>959</u>
Current tax – Taiwan Corporate income tax		
Provision for the year	14,937	7,361
Under provision in prior years	<u>107</u>	<u>5</u>
	<u>15,044</u>	<u>7,366</u>
Current tax – Hong Kong Profits Tax and others		
Provision for the year	–	–
Under/(over) provision in prior years	<u>–</u>	<u>(5)</u>
	<u>–</u>	<u>(5)</u>
Withholding tax	<u>1,820</u>	<u>733</u>
Deferred tax	<u>(5,706)</u>	<u>(7,828)</u>
	<u><u>13,195</u></u>	<u><u>1,225</u></u>

PRC EIT has been provided at a rate of 25% (2020: 25%). The statutory withholding income tax rate for non-PRC resident is 10% (2020:10%).

Pursuant to the relevant laws and regulations in the PRC and Taiwan, dividend withholding tax is imposed at a rate of 10% (2020: 10%) and 21% (2020: 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 HK\$752,000 (2020: Nil) and nil (2020: Nil) were recognised for the PRC and Taiwan respectively for the year ended 31 December 2021.

Corporate Income Tax in Taiwan has been provided at a rate of 20% (2020: 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% (2020: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2020: 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% (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets	1,384	1,797
Amortisation of contract costs	450	369
Auditor's remuneration for audit services	2,544	7,818
– Audit services	2,344	7,818
– Non-audit services	200	–
(Reversal of impairment)/impairment for trade and other receivables	(3,980)	2,053
(Reversal of allowance)/allowance for obsolete inventories/ (included in cost of sales)	(1,318)	1,487
Inventories write-off (included in cost of sales)	13,255	11,059
Cost of inventories recognised as an expense	153,014	117,242
Direct operating expenses of properties and equipment that generate rental income	353	291
Depreciation of property, plant and equipment	24,527	25,591
Depreciation of right-of-use assets (included in cost of sales, distribution and selling expenses and administrative expenses)	9,040	9,872
Fair value gain on investment properties	(533)	(379)
Loss on disposals of property, plant and equipment	158	3,140
Loss/(gain) on disposals of right-of-use assets	37	(93)
Advertising and promotion expenses	45,126	33,862
Research and development cost	6,804	5,605
Net exchange loss	560	1,694

Cost of inventories sold included staff cost, depreciation and operating lease charges of approximately HK\$43,028,000 (2020:HK\$63,156,000) which are included in the amounts disclosed separately.

10. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020 Final of HK\$0.003 (2020: 2019 Final Nil) per ordinary share	<u>6,006</u>	<u>–</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2021 of HK\$0.003 per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

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\$35,264,000 (2020: HK\$7,758,000) and the weighted average number of ordinary share of approximately 2,002,100,932 (2020: 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 2021 and 2020 is presented as the Company had no potential ordinary shares outstanding.

12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	115,739	122,723
Less: Allowance for credit loss	<u>(582)</u>	<u>(9,011)</u>
	115,157	113,712
Prepayments	12,056	12,026
Deposits	3,338	2,903
Other receivables	1,273	1,810
Right-of-return assets	<u>145</u>	<u>445</u>
	<u>131,969</u>	<u>130,896</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 180 days	104,751	102,343
Over 180 days	<u>10,406</u>	<u>11,369</u>
	<u><u>115,157</u></u>	<u><u>113,712</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	465	74
Renminbi ("RMB")	51,596	52,153
New Taiwan dollar ("NT\$")	63,066	61,151
Ringgit Malaysia	<u>30</u>	<u>334</u>
	<u><u>115,157</u></u>	<u><u>113,712</u></u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	15,151	26,147
Deposits from franchisees	28,582	29,322
Other tax payables	8,913	7,662
Accruals	46,040	44,599
Other payables	10,710	14,428
Refund liabilities	<u>381</u>	<u>1,180</u>
	<u><u>109,777</u></u>	<u><u>123,338</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	15,143	25,539
91 days to 365 days	8	12
Over 365 days	—	596
	<u>15,151</u>	<u>26,147</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	4,881	4,893
NT\$	10,270	20,531
US\$	—	723
	<u>15,151</u>	<u>26,147</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

Revenue of the Group in 2021 increased by 18.8% to HK\$487.8 million compared to HK\$410.7 million in 2020. The increase was mainly due to an increase of HK\$77.0 million in product sales, such segment contributed to 96.7% of the Group's total revenue.

Revenue in the PRC market increased by 35.2% from HK\$206.5 million in 2020 to HK\$279.0 million in 2021. Revenue in the Taiwan market increased by 4.4% to HK\$203.2 million as compared to HK\$194.6 million in 2020.

Revenue from other regions, including Hong Kong, Malaysia and Macau, decreased by 41.5% from HK\$9.6 million in 2020 to HK\$5.6 million in 2021. Contribution from these regions remained at an insignificant level of just 1.1% of the Group's revenue.

The Group's overall gross profit margin increased from 58.5% in 2020 to 62.7% in 2021 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 2021.

Revenue by activities

	2021		2020		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	471,838	96.7%	394,807	96.1%	77,031	19.5%
Services	15,972	3.3%	15,866	3.9%	106	0.7%
Total	<u>487,810</u>	<u>100.0%</u>	<u>410,673</u>	<u>100.0%</u>	<u>77,137</u>	<u>18.8%</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 2021 amounted to HK\$471.8 million, or 96.7% of the Group's total revenue, representing an increase of HK\$77.0 million or by 19.5% when compared to product sales of HK\$394.8 million in 2020. The increase in product sales was mainly driven by the increase in revenue in such segment in the PRC market by 33.1% to HK\$263.7 million in 2021 as compared to HK\$198.1 million in 2020.

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 2021, the Group has three self-owned spas and one self-owned medical cosmetology centers 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 2021, service income increased by 0.7% to HK\$16.0 million as compared to HK\$15.9 million in 2020.

Service income	2021		2020		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Training income	24	0.2%	89	0.6%	(65)	(73.0%)
Spa/Medical cosmetology service income	14,565	91.2%	15,165	95.5%	(600)	(4.0%)
Others	<u>1,383</u>	<u>8.6%</u>	<u>612</u>	<u>3.9%</u>	<u>771</u>	<u>126.0%</u>
Total	<u><u>15,972</u></u>	<u><u>100.0%</u></u>	<u><u>15,866</u></u>	<u><u>100.0%</u></u>	<u><u>106</u></u>	<u><u>0.7%</u></u>

The PRC Market

The Group's revenue in the PRC market increased by 35.2% in 2021 to HK\$279.0 million as compared with HK\$206.5 million in 2020. The increase was mainly due to an increase in the sales of products. Gross margin on product sales decreased from 63.7% in 2020 to 61.6% in 2021. 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 the PRC in 2021.

Taiwan Market

The Group's revenue in the Taiwan market increased by 4.4% from HK\$194.6 million in 2020 to HK\$203.2 million in 2021. The increase in total sales of the Taiwan market was mainly driven by the increase in revenue from online and other sales platforms. Gross profit margin on product sales decreased from 68.4% in 2020 to 68.1% in 2021. The key reason of the decrease in gross margin is that the marginal gross profit of the existing sales platforms is lower than the marginal gross profit of the original channels.

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 2021, sales revenue from TV shopping, E-commerce and telemarketing channels in the Taiwan market contributed HK\$139.4 million to the Group, accounting for 68.6% of the product sales in Taiwan.

Revenue by geographical region	2021	2020	Changes	
	HK\$'000	HK\$'000	HK\$'000	%
PRC				
Products	263,679	198,083	65,596	33.1%
Services	15,367	8,386	6,981	83.2%
PRC Total	<u>279,046</u>	<u>206,469</u>	<u>72,577</u>	<u>35.2%</u>
Taiwan				
Products	203,165	187,324	15,841	8.5%
Services	7	7,322	(7,315)	(99.9%)
Taiwan Total	<u>203,172</u>	<u>194,646</u>	<u>8,526</u>	<u>4.4%</u>
Others				
Products	4,994	9,400	(4,406)	(46.9%)
Services	598	158	440	278.5%
Others Total	<u>5,592</u>	<u>9,558</u>	<u>(3,966)</u>	<u>(41.5%)</u>

Other income and other gains

Other income and other gains decreased by 34.4% from HK\$13.5 million in 2020 to HK\$8.8 million in 2021 mainly due to a decrease of government grants in 2021 by 77.2% compared with that in 2020. Other income and other gains in 2021 mainly comprised rental income from properties and equipment, interest income and government grants of HK\$3.2 million, HK\$2.1 million and HK\$1.8 million respectively.

Selling and administrative expenses

Distribution and selling expenses as a percentage of the Group's revenue increased to 37.2% in 2021 compared with 36.5% in 2020. The distribution and selling expenses increased by HK\$31.8 million from HK\$149.8 million in 2020 to HK\$181.6 million in 2021. Staff costs in relation to distribution work increased by HK\$14.0 million to HK\$80.3 million in 2021 from HK\$66.3 million in 2020. Other key expenses included advertising expenses of HK\$45.1 million, depreciation and amortisation charges of HK\$14.3 million, transportation charges of HK\$9.6 million, Consulting and service fees of HK\$7.4 million, travelling and entertainment charges of HK\$8.2 million and rental expenses of HK\$5.4 million in 2021.

Total administrative expenses decreased by HK\$0.6 million, to HK\$83.6 million in 2021 as compared to HK\$84.2 million in 2020. Administrative expenses mainly comprised staff costs and retirement benefits (including directors' emoluments) of HK\$36.3 million, legal and professional fees of HK\$16.6 million, depreciation and amortisation charges of HK\$9.9 million and research, development expenses of HK\$6.8 million and office and utility expense HK\$4.9 million in 2021.

Other expenses and other losses

Other expenses and other losses decreased by HK\$4.0 million, from HK\$7.1 million in 2020 to HK\$3.1 million in 2021. Other expenses and other losses mainly included related expenses of rental of other properties of HK\$1.8 million, and exchange loss of HK\$0.6 million in 2021.

Profit before tax

Taking into account of the fact that pre-tax profit margin increased to 9.9% in 2021 from 2.2% in 2020 in the Group, profit before tax increased by 439.5% from HK\$9.0 million in 2020 to HK\$48.5 million in 2021.

Taxation

Taxation expenses increased to HK\$13.2 million in 2021 as compared to HK\$1.2 million in 2020. The effective tax rates of the Group in 2020 and 2021 were 13.6% and 27.2% respectively.

Profit for the year

Profit for the year increased by 354.6% from HK\$7.8 million in 2020 to HK\$35.3 million in 2021.

Liquidity and financial resources

Cash generated from operating activities in 2021 was approximately HK\$44.6 million (HK\$30.1 million in 2020). As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$184.5 million (HK\$154.5 million as at 31 December 2020) with approximately HK\$97.3 million of external bank borrowings (HK\$67.5 million as at 31 December 2020).

In terms of gearing, the Group's gearing ratios (defined as total bank borrowings divided by shareholders' equity) in 2020 and 2021 were 11.0% and 14.8% respectively. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2020 and 31 December 2021 were 1.96 times and 1.89 times respectively. As at 31 December 2021, 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 2021, 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\$34.5 million (2020: HK\$16.5 million), HK\$9.5 million (2020: HK\$13.3 million) and HK\$53.3 million (2020: HK\$37.7 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\$87.2 million for the year ended 31 December 2021 (2020: HK\$87.0 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 2021, 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\$102.4 million (HK\$104.2 million as at 31 December 2020).

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 2021, approximately 68.0% (67.2% as at 31 December 2020) of the Group's bank balances and cash was denominated in RMB, while approximately 27.6% (26.6% as at 31 December 2020) was denominated in NTD. The remaining 4.4% (6.2% as at 31 December 2020) 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 2021, 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\$341.4 million sales from franchised/self-owned spas, medical cosmetology centers and counters in 2021 which increased by HK\$51.6 million as compared to the figure in 2020 (2020: HK\$289.8 million), representing 70.0% of the Group's total revenue (2020: 70.6%).

For sales from E-commerce, TV shopping and telemarketing channels, the Group achieved HK\$146.4 million sales which increased by HK\$25.5 million compared to 2020 (2020: HK\$120.9million), representing 30.0% of the Group's total revenue (2020: 29.4%).

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

Store Number by Ownership	Franchisee-owned Spa	Self-owned Spa	Total Spa	Self-owned Counter	Self-owned		Total
					Cosmetology Center	Medical Center	
As at 31 December 2020							
PRC	856	2	858	9	2		869
Taiwan	320	0	320	0	0		320
Others	<u>27</u>	<u>1</u>	<u>28</u>	<u>0</u>	<u>0</u>		<u>28</u>
Total	<u>1,203</u>	<u>3</u>	<u>1,206</u>	<u>9</u>	<u>2</u>		<u>1,217</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 2021, there were 1,342 spas, 1 medical cosmetology center and 10 concessionary counters. Of these, 1,338 were franchised spas, while 4 spas, 1 medical cosmetology centers and 10 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 255 (2020: 133) new stores were opened and 119 (2020: 99) stores were closed during the year ended 31 December 2021.

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 used by NB products are imported from Europe, Japan and Australia. The Group’s R&D 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 to continue to create high-quality beauty and skin care products. NB principally uses natural ingredients, adopts a unique formula and adapts to the physiological structure and characteristics of the skin. The use of advanced biotechnology R & D products can more effectively improve beauty efficacy and to better position NB as an international brand.

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 2021, the Group's flagship NB-1 series products accounted for 32.4% of total product sales, which reached HK\$153.0 million. By continuously conducting research and product development on our beauty products and closely following the market demand, the Group has successfully listed the healthy basic package of Slimming Body and NB-1 sapphire polypeptide extract in the first half of 2021, generating sales of HK \$22.0 million as of 31 December 2021 which further filled the gaps in. In September 2021, the Group has upgraded its mainstay series of natural beauty – Yam collagen firming series and improved its product image, thereby generated a revenue of HK\$23.9 million.

Meanwhile, the e-commerce platform has incubated new brand for young consumers with international home care domain guru, expected to be listed in 2022.

Human Resources

As at 31 December 2021, the Group had a total of 583 employees, of whom 406 were based in the PRC, 156 in Taiwan and 21 in other countries and regions. Total remuneration (excluding directors' emoluments) in 2021 was approximately HK\$146.1 million (HK\$130.0 million in 2020), including retirement benefit related costs of HK\$10.9 million (HK\$2.9 million in 2020). 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\$38.1 million in 2021 was mainly related to the new plant construction in the PRC amounting to HK\$26.2 million, opening of new stores, renovation and equipment amounting to HK\$11.0 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 2021, the Group's right-of-use assets were HK\$81.7 million (HK\$57.0 million as at 31 December 2020) and its lease liabilities were HK\$31.8 million (HK\$7.5 million as at 31 December 2020). In 2021, depreciation charges of right-of-use assets amounted to HK\$9.0 million and interest charges of lease liabilities amounted to HK\$0.9 million.

OUTLOOK

For the long-term strategy, we consecutively integrate the Eastern Multimedia Group's (EMG) resources to optimize the quality of service, product development, and multi-channel deployment, as well as to expand our stores of franchisee, e-commerce, telemarketing, TV shopping channel, and OEM business to achieve rapid revenue growth via multi-channels operation.

In the short term, we will focus on digital investment due to the impacts on epidemic on brick-and-mortar stores. Another key strategy is to vigorously develop the home care domain product line and with the diversion of multi-channel products, the sales volume can be expected to augment within one year.

Key Market Development Strategies

– Taiwan: Leveraging on the abundant media resources of the EMG to rejuvenate brand image, and successfully promote the products to all virtual channels within the group, the revenue growth momentum continues to rise. A major addition to the popular high-end skincare products, we will focus on developing masstige products and amplifying online sales in 2021 and 2022.

– Mainland China: In 2021, the new policy of franchisee store expansion has achieved fruitful results, estimated more stores which doubles the numbers of annual new stores over the past 3 years, reaching a record high and expecting to increase in 2022.

In addition, the new channel deployment has been in process. Our OEM and e-commerce business started to gain revenue, and the flagship store launched on Tmall China, has become an important gateway to online sales and offline experience. Meanwhile the e-commerce platform has incubated new brand for young consumers with international home care domain guru, expected to be listed in 2022.

Our Group has made unremitting efforts to enhance its competitiveness, consolidate its core business, and explore new and innovative business opportunities, steadfastly making breakthroughs and pursuing maximum growth in the midst of the epidemic.

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 2021 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 D.3.1 (which has been renumbered as code provision A.2.1 with effect from January 1, 2022) of the CG Code for the year ended 31 December 2021.

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 2021, 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.

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 2021 and up to the date of this announcement.

The Company has adopted written guidelines (the "**Company's Guidelines**"), which are equally stringent as the Model Code, in respect of securities transactions by relevant employees of the Company who are likely to be in possession of unpublished inside information of the Company pursuant to code provision A.6.4 (which has been renumbered as code provision C.1.3 with effect from January 1, 2022). 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 2021 ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the year ended 31 December 2021 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 2021.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK\$0.003 per share for the year ended 31 December 2021 (“**Final Dividend**”) (2020: HK\$0.003 per share). The proposed Final Dividend, if approved by the shareholders of the Company at the forthcoming AGM, will be paid on Thursday, 28 July 2022 to the shareholders whose names appear on the register of members of the Company on Tuesday, 7 June 2022.

AGM

The forthcoming AGM of the Company will be held on Wednesday, 25 May 2022. 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

The Register of Members of the Company will be closed for the following periods:

- (a) For the purpose of determining the identity of shareholders who are entitled to attend and vote at the 2022 AGM, the Register of Members of the Company will be closed from Wednesday, 18 May 2022 to Wednesday, 25 May 2022, both days inclusive. In order to be eligible for attending and voting at the 2022 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 Tuesday, 17 May 2022; and
- (b) For the purpose of determining the identity of shareholders who qualify for the Final Dividend, the Register of Members of the Company will be closed from Monday, 6 June 2022 to Tuesday, 7 June 2022, both days inclusive. In order to qualify for the Final Dividend, all transfer documents should be lodged for registration with the Company’s Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3 June 2022.

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 2021 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 2021 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, 22 March 2022

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.