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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)

**QUARTERLY UPDATE ON SUSPENSION OF TRADING
AND
FURTHER DELAY IN DESPATCH OF CIRCULAR**

This announcement is made by Natural Beauty Bio-Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcement of the Company dated 24 March 2020 in relation to, amongst others, an investigation on certain audit findings raised by the Company’s then auditors (the “**Forensic Review**”); (ii) the announcement of the Company dated 25 March 2020 in relation to the suspension of trading in the shares of the Company (the “**Shares**”); (iii) the announcement of the Company dated 29 April 2020 in relation to, amongst others, updates on the Forensic Review; (iv) the announcement of the Company dated 21 May 2020 in relation to the conditions for the resumption of trading in the Shares (the “**Resumption Guidance Announcement**”); (v) the announcement of the Company dated 24 June 2020 in relation to the quarterly update on suspension of trading; (vi) the announcement of the Company dated 21 July 2020 in relation to key findings of the Forensic Review (the “**Announcement**”); (vii) the announcement of the Company dated 27 July 2020 in relation to the then Auditors’ comments on Forensic Review findings and Audit Committee’s response to the then Auditors’ comments (“**AC Reply Announcement**”); (viii) the announcement of the Company dated 3 August 2020 in relation to the resignation of

the then Auditors (the “**Resignation Announcement**”); (ix) the announcement of the Company dated 14 August 2020 in relation to the additional condition for the resumption of trading in the Shares (the “**Additional Resumption Guidance Announcement**”); (x) the announcement of the Company dated 16 August 2020 in relation to the appointment of the Auditors; (xi) the announcement of the Company dated 25 August 2020 in relation to the appointment of the Auditors and the internal control consultant (the “**Appointment Announcement**”); and (xii) the announcements of the Company dated 23 July 2020, 12 August 2020, 25 August 2020 and 9 September 2020 in relation to, among other things, the despatch of circular in respect of the Supplemental Agreements, 2020 CCT Agreement and the Transfer of Spa Business Agreement (“**CCT Announcements**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

RESUMPTION GUIDANCE

As disclosed in the Resumption Guidance Announcement and the Additional Resumption Guidance Announcement, the Company has been notified by the Stock Exchange of the following resumption guidance:

- (a) conduct an appropriate investigation into the Issues raised by the then Auditors, announce the findings and take appropriate remedial actions;
- (b) publish all outstanding financial results and address any audit modifications;
- (c) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures that address the concerns identified in the forensic review referred to in the Announcement and ensure the Company to comply with the Listing Rules; and
- (d) inform the market of all material information of the Company.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the shareholders and potential investors of the Company of the latest development on the Company’s efforts to fulfil the resumption conditions as at the date of this announcement.

UPDATE ON INVESTIGATION INTO THE ISSUES

As disclosed in the Announcement, in response to the then Auditors’ enquires on the sales made by the Group to certain distributors and how certain individual distributors and customers settled their payments to the Group (the “**Issues**”), the Audit Committee engaged PricewaterhouseCoopers Management Consulting (Shanghai) Limited as Forensic Accountant to conduct Forensic Review on certain of the Group’s wholly-owned subsidiaries in China of the Issues.

On 6 July 2020, the Forensic Accountant prepared a draft report on the Forensic Review relating to matters in 2019 (“**Draft Forensic Review Report**”), the key findings of which have been disclosed in the Announcement.

Upon review of the Draft Forensic Review Report, on 7 July 2020, the Audit Committee instructed the Forensic Accountant to conduct additional procedures to investigate into certain matters prior to 2019 (“**Additional Forensic Review**”).

As disclosed in the AC Reply Announcement, on 22 July 2020, the Audit Committee received a letter from the then Auditors setting out their comments on the Draft Forensic Review Report and their recommendations (“**AC Letter**”), which included, amongst others, requesting the Company to identify wrong-doers and expand the scope of the Forensic Review. On 27 July 2020, the Audit Committee wrote to the then Auditors in response to their comments and recommendations contained in the AC Letter (“**AC Reply**”).

On 31 July 2020, the Company received a resignation letter (the “**Resignation Letter**”) from Deloitte Touche Tohmatsu (“**Deloitte**”), pursuant to which Deloitte resigned as auditors of the Company with effect from 31 July 2020. For further details on Deloitte’s resignation, please refer to the Resignation Announcement.

On 25 August 2020, the Board appointed RSM Hong Kong (“**RSM**”) as the auditors of the Company to fill the casual vacancy following the resignation of Deloitte as Auditors, and to hold office until the conclusion of the next annual general meeting of the Company.

As of the date of this announcement, the Company understands that the Forensic Accountant is currently working on the Additional Forensic Review and is in discussion with the auditors of the Company, RSM, on the findings of the Draft Forensic Review Report. On the basis that no additional work by the Forensic Accountant is required regarding the Forensic Review, it is expected that Forensic Review Report will be completed by end of November 2020. In addition, on the basis that no additional work is required to be done, the Additional Forensic Review is expected to be completed by end of November 2020.

UPDATE ON OUTSTANDING FINANCIAL RESULTS

It is expected that the Auditors will complete the audit of the Group’s consolidated financial statements for the years ended 31 December 2019 (“**2019 Financial Statements**”) by end of November 2020. It is also expected that the Company will complete the Group’s unaudited consolidated financial statements for the six months ended 30 June 2020 (“**2020 Interim Financial Statements**”) by end of November 2020. The Company will publish all outstanding financial results and address any audit modifications (if any) as soon as practicable upon the completion of the audit of 2019 Financial Statements.

Please also refer to the section headed “Further Delay in Publication of 2019 Audited Annual Results and Despatch of 2019 Annual Report; Delay in Publication of 2020 Interim Results and Despatch of 2020 Interim Report” below.

UPDATE ON INDEPENDENT INTERNAL CONTROL REVIEW

As disclosed in the Appointment Announcement, the Board resolved to appoint SHINEWING Risk Services Limited (“**Shinewing**”) as its internal control consultant to conduct a review of the internal control systems and procedures of the Group in response to the concerns identified in the Forensic Review referred to in the Announcement (the “**Internal Control Review**”), and to make recommendations accordingly. Such appointment remains subject to Shinewing’s client acceptance procedures before becoming effective.

Based on the Board’s assessment on the scope of work and the working timetable proposed by Shinewing, it is currently expected that a draft report of the results of the Internal Control Review will be ready by end of November 2020, and the final report should be ready as soon as practicable thereafter.

The Board will make further announcement(s) in respect of the progress of the Forensic Review, the audit of the 2019 Financial Statements, the preparation of 2020 Financial Statements and the Internal Control Review in due course. In the meantime, the Board shall continue to inform the shareholders and potential investors of the Company of all material information of the Company.

FURTHER DELAY IN PUBLICATION OF 2019 AUDITED ANNUAL RESULTS AND DESPATCH OF 2019 ANNUAL REPORT; DELAY IN PUBLICATION OF 2020 INTERIM RESULTS AND DESPATCH OF 2020 INTERIM REPORT

Pursuant to Rules 13.49(1) and 13.46(1) of the Listing Rules, the Company is, among other things, required to publish its preliminary annual results for the year ended 31 December 2019 (“**2019 Annual Results**”) on a date not later than three months after the end of the financial year, i.e. not later than 31 March 2020 and despatch its annual report for the same financial period (“**2019 Annual Report**”) to its shareholders on or before 30 April 2020.

Pursuant to Rules 13.49(6) and 13.48(1) of the Listing Rules, the Company is required to publish its preliminary results for the six months ended 30 June 2020 (“**2020 Interim Results**”) not later than 31 August 2020 and despatch its interim report for the same financial period (“**2020 Interim Report**”) to its shareholders on or before 30 September 2020.

The Board wishes to announce that despite the best efforts made by the Board and the management of the Company in cooperating with the Forensic Accountant and the previous and current Auditors, i.e. Deloitte and RSM respectively, as the Forensic Review is still in progress and RSM will only commence their audit procedures of 2019 Financial Statements upon their satisfaction of the Forensic Review results, (i) publication of the audited 2019 Annual Results and despatch of the 2019 Annual Report and (ii) publication of the 2020 Interim Results and despatch of the 2020 Interim Report will be delayed.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As stated in the announcement of the Company dated 9 September 2020, a circular (the “**Circular**”) containing, among other things, further details of the Supplemental Agreements, the 2020 CCT Agreements and Transfer of Spa Business Agreement (each as defined in the CCT Announcements), the respective advice of the Independent Financial Adviser and the Independent Board Committee (each as defined in the CCT Announcements) and the notice of the EGM (as defined in the CCT Announcements) was expected to be despatched to the Shareholders on or before 23 September 2020.

As additional time is required for the Company to prepare and finalise certain information to be included in the Circular, it is expected that the date of despatch of the Circular and the notice of the EGM will be postponed to a date falling on or before 7 October 2020.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 25 March 2020 and will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 23 September 2020

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