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自然美
natural beauty

Natural Beauty Bio-Technology Limited
自然美生物科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00157)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

RESULTS

The directors of Natural Beauty Bio-Technology Limited ("Natural Beauty" or the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	4	**538,092**	592,701
Cost of sales		**(122,913)**	(86,102)
Gross profit		**415,179**	506,599
Other income	6	**20,772**	58,222
Distribution and selling expenses		**(120,299)**	(127,587)
Administrative expenses		**(109,093)**	(112,731)
Other expenses		**(19,806)**	(16,026)
Profit before taxation		**186,753**	308,477
Income tax expense	7	**(42,830)**	(69,898)
Profit for the year	8	**143,923**	238,579
Other comprehensive income:			
Exchange differences arising on translation		**2,559**	836
Total comprehensive income for the year		**146,482**	239,415
Profit for the year attributable to:			
Owners of the Company		**149,636**	238,477
Minority interests		**(5,713)**	102
		143,923	238,579
Total comprehensive income attributable to:			
Owners of the Company		**152,169**	238,996
Minority interests		**(5,687)**	419
		146,482	239,415
Earnings per share	10		
Basic and diluted		**HK7.5 cents**	HK11.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties		**4,710**	4,486
Property, plant and equipment		**217,760**	230,569
Prepaid lease payments		**9,562**	9,809
Goodwill		**25,833**	25,766
Available-for-sale investments		**3,926**	5,926
Deferred taxation assets		**3,016**	9,156
		264,807	285,712
Current assets			
Inventories		**89,076**	100,859
Trade and other receivables	*11*	**85,382**	92,744
Prepaid lease payments		**278**	278
Pledged bank deposit		**430**	428
Bank balances and cash		**559,346**	546,205
		734,512	740,514
Current liabilities			
Trade and other payables	*12*	**93,836**	105,979
Deferred income		**10,290**	10,374
Taxation payable		**14,490**	41,207
		118,616	157,560
Net current assets		**615,896**	582,954
Total assets less current liabilities		**880,703**	868,666
Non-current liability			
Retirement benefit obligations		**11,875**	12,259
		868,828	856,407
Capital and reserves			
Share capital		**200,210**	200,064
Reserves		**667,872**	649,896
Equity attributable to owners of the Company		**868,082**	849,960
Minority interests		**746**	6,447
Total equity		**868,828**	856,407

Notes:

1. GENERAL

The Company was incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited on 28 March 2002. Its ultimate parent and immediate parent are Starsign International Limited and Standard Cosmos Limited, respectively, and both were incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except the new and revised HKFRSs affecting presentation and disclosure as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a re-designation of the Group's reportable segments.

4. REVENUE

Revenue represents the net amount received and receivables for (i) goods sold by the Group to outside customers which is stated net of sales returns and allowances, (ii) service income from provision of skin treatments, beauty and SPA services and (iii) entrustment fee income for the year, and is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**525,945**	575,491
Service income	**11,949**	16,693
Entrustment fee income	**198**	517
	538,092	592,701

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Chief Executive Officer, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard, HKAS 14 "*Segment Reporting*" required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment revenues and results

The Group's operations are located in the PRC, Taiwan and Others (Hong Kong, Malaysia and Macau).

An analysis of the Group's revenue and results by reportable segment based on customers' location is presented below:

	PRC ***HK$'000***	**Taiwan** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
For the year ended 31 December 2009				
Revenue	**395,574**	**132,299**	**10,219**	**538,092**
Segment profit (loss)	**192,019**	**15,912**	**(6,722)**	**201,209**
Unallocated corporate expenses				**(18,515)**
Unallocated income				**4,059**
Profit before taxation				**186,753**
Income tax expense				**(42,830)**
Profit for the year				**143,923**

	PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the year ended 31 December 2008				
Revenue	436,516	146,782	9,403	592,701
Segment profit (loss)	255,201	74,907	(10,542)	319,566
Unallocated corporate expenses				(30,982)
Unallocated income				19,893
Profit before taxation				308,477
Income tax expense				(69,898)
Profit for the year				238,579

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Unallocated income mainly includes interest income and exchange difference.

Other segment information

	PRC	**Taiwan**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2009				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**13,820**	**5,577**	**2,192**	**21,589**
Release of prepaid lease payments	**278**	**–**	**–**	**278**
(Gain) loss on disposal of property, plant and equipment	**(598)**	**–**	**4**	**(594)**
Allowance for obsolete inventories	**10,038**	**4,064**	**846**	**14,948**
Impairment loss on trade receivables	**–**	**624**	**–**	**624**
Increase in fair value of investment properties	**–**	**(137)**	**–**	**(137)**

	PRC	Taiwan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	10,321	4,702	2,108	17,131
Release of prepaid lease payments	275	–	–	275
Loss (gain) on disposal of property, plant and equipment	3,100	(17,953)	154	(14,699)
(Write back of) allowance for obsolete inventories	(1,501)	(82)	88	(1,495)
Impairment loss on trade receivables	13,963	1,280	–	15,243
Increase in fair value of investment properties	–	(15)	–	(15)

Entity-wide disclosures

The Group is principally engaged in (a) manufacturing and selling of skin care, beauty and aromatherapeutic products and (b) provision of skin treatments, beauty and spa services and skin care consulting and beauty training. The analysis of the Group's revenue by principal products and services for the year are set out in note 4.

As at 31 December 2008 and 2009, substantially all of the Group's revenue and non-current assets are located in the places of domicile of the relevant group entities, namely the PRC and Taiwan.

The Group has a very wide customer base, no single customer contributes more than 10% of the Group's revenue for the years ended 31 December 2008 and 2009.

6. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest on bank deposits	**2,359**	6,583
Rental income from investment properties	**214**	180
Rental income from other properties and equipment	**5,818**	4,745
Financial refunds *(note)*	**7,490**	2,170
Increase in fair value of investment properties	**137**	15
Foreign exchange gain	**544**	25,371
Gain on held-for-trading investments	**–**	2,617
Gain on disposal of property, plant and equipment	**594**	14,699
Write back of obsolete inventories	**–**	1,495
Other service income	**2,090**	–
Others	**1,526**	347
	20,772	58,222

Note: Pursuant to the local practice of the finance bureau of the provinces in which certain of the PRC subsidiaries operate, the PRC subsidiaries will receive financial refunds in the form of government grants by way of negotiation with the relevant finance bureau with reference to the percentage of income and other taxes paid. These financial refunds are treated as tax exempted by such finance bureaus. However, the refunds and the tax exemption treatment thereof are subject to review annually. It is therefore uncertain if these subsidiaries will continue to be eligible for such financial refunds and the tax exemption treatment thereof in the future.

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Taxation in PRC		
Current year	**27,008**	27,889
(Over) underprovision in prior years	**(2,562)**	(3,703)
Dividend withholding tax	**75**	24,510
	24,521	48,696
Taxation in Taiwan		
Current year	**6,741**	9,778
(Over) underprovision in prior years	**(53)**	5,240
Dividend withholding tax	**5,076**	7,750
	11,764	22,768
Deferred taxation	**6,545**	(1,566)
	42,830	69,898

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The Tax Holiday continued on the implementation of the current EIT Law using the tax rate of 25%.

Taiwan Income Tax is calculated at 25% of the estimated assessable profit of the Group's Taiwan subsidiaries for both years. Pursuant to the relevant laws and regulations in Taiwan, certain of the Group's Taiwan subsidiaries are eligible to certain tax concessions.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profit for both years.

8. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
– directors' emoluments	**2,948**	14,325
– other staff costs	**95,574**	86,684
	98,522	101,009
Retirement benefits scheme contributions, excluding directors:		
– defined contribution plans	**11,980**	9,509
– defined benefit plan	**599**	866
	12,579	10,375
Share based payments		
– equity-settled share based payments	**516**	245
Total staff costs	**111,617**	111,629
Depreciation of property, plant and equipment	**21,589**	17,131
Release of prepaid lease payments	**278**	275
Auditor's remuneration	**3,677**	3,435
Gain on disposal of property, plant and equipment	**(594)**	(14,699)
Research and development costs	**2,471**	1,714
Allowance for (write back of) obsolete inventories	**14,948**	(1,495)
Cost of inventories recognised as an expense	**107,965**	86,102
Net exchange gain	**(544)**	(25,371)
Impairment loss on trade receivables	**624**	15,243
Impairment loss on available-for-sale investments	**2,000**	3,200
Write off of trade receivables	**2,675**	–

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend, paid – HK$0.035 per share (2008: HK$0.050 per share)	**70,055**	100,032
Final dividend, paid – HK$0.0335 per share for 2008 (2008: HK$0.042 per share for 2007)	**67,021**	84,000
Final special dividend, paid – Nil (2008: HK$0.058 per share for 2007)	**–**	116,000
	137,076	300,032

A final dividend of HK$0.040 per share in respect of the year ended 31 December 2009 (2008: final dividend of HK$0.0335 per share in respect of the year ended 31 December 2008), amounted to HK$80,084,000 (2008: HK$67,021,000) in aggregate has been proposed by the directors and is subject to approval by the shareholders in general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$149,636,000 (2008: HK$238,477,000) and on the weighted average number of 2,001,183,775 (2008: 2,000,310,980) ordinary shares of the Company in issue during the year.

The computation of diluted earnings per share does not take into accounts the outstanding share options because the exercise price of those options was higher than the average market price of shares for both 2008 and 2009.

11. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**62,088**	68,265
Less: allowance for doubtful debts	**(2,688)**	(2,963)
	59,400	65,302
Prepayments and deposits	**11,263**	16,713
Other receivables	**14,719**	10,729
Total trade and other receivables	**85,382**	92,744

The Group allows a credit period ranging from one to six months to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 180 days	**50,875**	57,892
181 days to 365 days	**4,670**	3,828
1 to 2 years	**3,580**	3,246
Over 2 years	**275**	336
	59,400	65,302

12. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**12,079**	14,035
Deposits from customers	**22,894**	25,730
Other tax payables	**8,917**	9,998
Other payables	**49,946**	56,216
Total trade and other payables	**93,836**	105,979

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 180 days	**10,587**	13,814
181 days to 365 days	**1,492**	199
1 to 2 years	**–**	22
	12,079	14,035

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover by geographical region	**2009**		2008		Changes	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
PRC	**395,574**	**73.5%**	436,516	73.6%	(40,942)	-9.4%
Taiwan	**132,299**	**24.6%**	146,782	24.8%	(14,483)	-9.9%
Others	**10,219**	**1.9%**	9,403	1.6%	816	8.7%
Total	**538,092**	**100.0%**	592,701	100.0%	(54,609)	-9.2%

The Group's performance in 2009, in particular the first half of the year, has been affected by the unfavorable business environment resulted from the global financial crisis. During 2009, turnover of the Group dropped 9.2% to HK$538.1 million as compared with HK$592.7 million recorded in 2008. When compared with the year-on-year decline of 19.1% in the first half of the year, the Group's turnover has shown a moderate rebound in the second half.

Turnover in the PRC market saw a 9.4% decrease to HK$395.6 million in 2009. The decrease in turnover was mainly due to a decrease of HK$37.4 million in product sales. Meanwhile, service income decreased by 41.6% from HK$7.8 million in 2008 to HK$4.5 million in 2009. In Taiwan, turnover dropped 9.9% to reach HK$132.3 million in 2009 as compared with HK$146.8 million in 2008. The declines in product sales and service income were mainly due to lingering impact of the global financial turmoil on the Greater China region since the third quarter of 2008. With market uncertainties weakening consumer sentiments, customers tended to curtail their spending and delay their buying decisions. The sales in PRC and in Taiwan for the first half of the year dropped by 18.9% and 21.3% and had been recovered to a modest growth rate of 1.7% and 2.3% respectively in the second half of the year.

Sales in other regions such as Hong Kong, Macau and Malaysia increased slightly by 8.7% to HK$10.2 million. The turnover contribution from these regions remained insignificant and accounted for less than 2% of total turnover.

The Group's overall gross profit margin decreased from 85.5% in 2008 to 77.2% in 2009. This is mainly due to the change in product mix, write off and special provision made on the inventories which charged to the cost of sales. If the write off and special provision of HK$14.9 million made on the inventories were excluded, the overall gross profit margin would be approximately 80%.

Turnover by activities	**2009**	2008	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
Products				
PRC	**390,842**	428,237	(37,395)	-8.7%
Taiwan	**125,619**	138,770	(13,151)	-9.5%
Others	**9,484**	8,484	1,000	11.8%
Total	**525,945**	575,491	(49,546)	-8.6%
Services				
PRC	**4,534**	7,762	(3,228)	-41.6%
Taiwan	**6,680**	8,012	(1,332)	-16.6%
Others	**735**	919	(184)	-20.0%
Total	**11,949**	16,693	(4,744)	-28.4%
Entrustment				
PRC	**198**	517	(319)	-61.7%
Taiwan	**–**	–	–	n/a
Others	**–**	–	–	n/a
Total	**198**	517	(319)	-61.7%

Turnover by activities	**2009**		2008		Changes	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Products	**525,945**	**97.7%**	575,491	97.1%	(49,546)	-8.6%
Services	**11,949**	**2.3%**	16,693	2.8%	(4,744)	-28.4%
Entrustment	**198**	**0.0%**	517	0.1%	(319)	-61.7%
Total	**538,092**	**100.0%**	592,701	100.0%	(54,609)	-9.2%

Products

The Group is principally engaged in the manufacture and sale of several types of products, namely skin care products, beauty products, aromatherapeutic products, color make up and health supplements, under the "Natural Beauty" brand name. Product sales are the Group's key revenue contributor and are primarily made through franchise spas, self-owned spas and retail outlets. Products sales in 2009 amounted to HK$525.9 million, or 97.7% of total revenue, representing a decrease of HK$49.6 million when compared with the amount of HK$575.5 million, which accounted for 97.1% of total revenue in 2008. The decrease in product sales was mainly due to the weak consumer sentiment especially in the first half of the year. Gross margin of product sales for the year decreased from 89.5% in 2008 to 82.8% in 2009. The decrease of product gross margin was due to the change of product mix by launching new skin care product with lower price point and an increase in sales of health supplements (which have lower margin compared with other categories) by 90.1% from HK$47.4 million in 2008 to HK$90.1 million in 2009. The change in product mix with higher proportion of health supplement led to the lower overall product margin. In addition, the write off and special provision made on the inventories amounted to HK$14.9 million has been charged to the cost of sales which contributed to the decline in margin.

Other markets such as Hong Kong, Macau and Malaysia only accounted for 1.8% of total product sales for the year.

Service income	**2009**		2008		Changes	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Training income	**1,261**	**10.6%**	1,672	10.0%	(411)	-24.6%
SPA service income	**9,078**	**76.0%**	12,942	77.5%	(3,864)	-29.9%
Management fee income	**32**	**0.3%**	327	2.0%	(295)	-90.2%
Others	**1,578**	**13.1%**	1,752	10.5%	(174)	-9.9%
Total	**11,949**	**100.0%**	16,693	100.0%	(4,744)	-28.4%

Services

Service income includes income from self-owned spa with services provision, training income and management fee received from franchisees, and other service-related income.

The Group provides skin treatment, beauty and spa services through our self-owned spas. It is necessary to establish self-owned stores as model spas in new markets as the Group considers it as a more profitable and cost-efficient way on the whole to allocate resources to stimulate overall product sales.

Service income is generated solely from our self-owned spas as the Group does not share any service income generated in franchised spas with franchisees under the current franchise arrangement. Service income generated from franchised spas is vital for them to cover their operating expenses such as rental, salary and utilities. During 2009, income from services decreased by 28.4% to HK$11.9 million when compared with HK$16.7 million in 2008. The decrease was mainly due to the shrinkage in SPA service income by approximately HK$3.9 million which was resulted from the more conservative consumer spending behavior, an extension of the financial crisis from 2008 to 2009.

Entrustment

Entrusted spas, which were previously operated by the Group, are owned by the Group and operated by reputable operators. In order to have a more efficient allocation of financial and human resources, the Group launched entrustment arrangements in the PRC and our self-owned spas were entrusted to reputable operators in local areas. The operators are responsible for selling the Group's products in their stores and they bear all the profits and losses of the operations, while the Group receives a fixed annual entrustment fee from the operators until the Group's initial investment is repaid in five years' time. By then, the entrusted spas will become regular franchised spas.

In 2009, entrustment income recorded a further decrease of 61.7% to HK$0.2 million when compared with HK$0.5 million in 2008. The drop in entrustment income was attributable to the expiration of remaining entrustment arrangement in 2009. There was no entrusted spa as at 31 December 2009.

Other income

Other income mainly comprised rental income of other properties, interest income, financial refunds, gain on disposal of property, plant and equipments and foreign exchange gain, which amounted to HK$5.8 million, HK$2.4 million, HK$7.5 million, HK$0.6 million, HK$0.5 million and the remaining balance respectively. Other income decreased by 64.3%, or HK$37.5 million from HK$58.2 million in 2008 to HK$20.8 million in 2009. The decrease was mainly due to the realized exchange gain from the dividend received from a PRC subsidiary which amounted to HK$25.4 million during 2008 when compared with only HK$0.5 million during 2009. Moreover, there was also a disposal gain of HK$17.7 million in 2008 in relation to a building in Taiwan. However, the decline of other income was offset by the increase of HK$5.3 million in financial refunds in 2009.

Distribution and administrative expenses

The Group's distribution and selling expenses as a percentage of turnover increased slightly at 22.4% for the year ended 31 December 2009 compared with 21.5% for the last corresponding period. The increase as percentage of sales is due to higher rental of counters and self-own spa in China. Total expenses in dollar terms decreased by HK$7.3 million from HK$127.6 million in 2008 to HK$120.3 million for the same period of 2009. During the year under review, the Group continued to reduce media exposure and promote products offering through word of mouths of our existing customers. Instead of media advertising, free samples and gifts were given away to our existing customers and extended the reach through their friends and family members. In percentage terms, advertising and promotion expenses represented 7.7% of total turnover in 2009, when compared with 9.6% for the same period in 2008. Other key expenses mainly included salary, commission, travel and transportation expenses as well as rental expenses, which amounted to HK$23.2 million, HK$4.9 million, HK$10.9 million and HK$18.3 million respectively.

Total administrative expenses in dollar terms decreased by HK$3.6 million to HK$109.1 million for the year under review. Administrative expenses as a percentage of turnover slightly increased from 19.0% in 2008 to 20.3% in 2009 since the Taiwan new headquarter's rental of HK$6.3 million charged in 2009, while offset by $14 million bad debts written off in 2008. The other administrative cost mainly covered staff costs, legal and professional fee, traveling expenses, depreciation and rental charges which amounted to HK$44.5 million, HK$11.8 million, HK$5.6 million, HK$8.1 million and HK$11.1 million respectively.

Other expenses

Other expenses increased from HK$16.0 million in 2008 to HK$19.8 million in 2009, representing an increase of HK$3.8 million or 23.6%. Other expenses mainly included bank charges of HK$3.0 million, impairment loss on available-for-sale investments of HK$2.0 million and impairment loss on investment in a subsidiary amounted to HK$11.3 million.

Profit before taxation

A decrease in gross profit and other income, netting a decrease of administrative expenses, distribution and selling expenses and an increase of other expenses, contributed to the decline of 39.5% in profit before tax from HK$308.5million in 2008 to HK$186.8 million in 2009.

Taxation

Taxation expenses decreased 38.7% from HK$69.9 million in 2008 to HK$42.8 million in 2009. The effective tax rates of the Group in 2008 and 2009 were 22.7% and 22.9% respectively. The decrease in taxation expenses was due to the drop in pre-tax profit in both markets during the year under review, as well as the reduction in dividend withholding tax paid or accrued in Taiwan and PRC subsidiaries from HK$32.3 million in 2008 to HK$12.6 million in 2009.

Profit for the year

As a result, profit for the year declined by 39.7% from HK$238.6 million in 2008 to HK$143.9 million in 2009.

Liquidity and financial resources

Cash generated from operating activities in 2009 was approximately HK$154.1 million (2008: HK$269.3 million). The decrease was primarily due to a decrease in profit and changes in working capital. As at 31 December 2009, the Group had bank balances and cash of approximately HK$559.3 million (as at 31 December 2008: HK$546.2 million) with no external bank borrowing.

In terms of gearing, as at 31 December 2008 and 31 December 2009, the Group's gearing ratios were zero (defined as net debt divided by shareholders' equity) as the Group was in net cash balance as at both year end dates. Current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2008 and 31 December 2009 were 4.7 times and 6.2 times respectively. As at 31 December 2009, the Group had no material contingent liabilities, other than those disclosed in its financial statements and notes thereto. With the cash and bank balances in hand, the Group's liquidity position remains strong and the Group has sufficient financial resources to finance its commitments and to meet working capital requirements.

Charges on assets

As at 31 December 2009, the Group had a pledge of bank deposit of HK$430,000 (as at 31 December 2008: HK$428,000) in order to ensure that one of its wholly owned subsidiaries complied with the terms stipulated in a Tenancy Agreement which had been entered into with the landlord so as to obtain a right of use of a self-owned store in Macau.

Treasury policies and exposure to fluctuations in exchange rates

The Group derives most of the revenue denominated in Renminbi and New Taiwan Dollars from the PRC and Taiwan as our operations are mainly located in these two areas. As at 31 December 2009, approximately 46.7% (as at 31 December 2008: 56.7%) of the Group's bank balances and cash was denominated in Renminbi, while approximately 6.8% (as at 31 December 2008: 10.1%) in New Taiwan Dollars. The remaining 46.5% (as at 31 December 2008: 33.2%) was denominated in US Dollar, Hong Kong Dollars, Macau Pataca and Malaysia Ringgits. The Group continued to adopt a conservative approach in terms of foreign exchange exposure management. Review of the Group's exposure to foreign exchange risk will be conducted periodically and derivative financial instruments may be used to hedge against such risks when necessary.

BUSINESS REVIEW

Turnover by geographic region	**2009**	2008	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
PRC				
Products	**390,842**	428,237	(37,395)	-8.7%
Services	**4,534**	7,762	(3,228)	-41.6%
Entrustment	**198**	517	(319)	-61.7%
PRC Total	**395,574**	436,516	(40,942)	-9.4%
Taiwan				
Products	**125,619**	138,770	(13,151)	-9.5%
Services	**6,680**	8,012	(1,332)	-16.6%
Entrustment	**–**	–	–	n/a
Taiwan Total	**132,299**	146,782	(14,483)	-9.9%
Others				
Products	**9,484**	8,484	1,000	11.8%
Services	**735**	919	(184)	-20.0%
Entrustment	**–**	–	–	n/a
Others Total	**10,219**	9,403	816	8.7%

PRC Market

The threat of global recession had seriously affected customers' attitude towards consumption, leading to the decline of product sales in the PRC market by 18.7% in the first half of 2009. The decline had been stabilized and full year sales only saw a drop of 8.7% to HK$390.8 million in 2009, compared with HK$428.2 million in 2008. The product gross margin still remained at a high rate of 85.0% (2008: 90.7%).

Operating profit and net profit decreased by HK$63.2 million and HK$63.5 million respectively for the year under review.

Taiwan Market

Taiwan market also experienced similar trend as in PRC market. During 2009, product sales in Taiwan market declined by 9.5% to HK$125.6 million as compared with HK$138.8 million in 2008. Operating profit and net profit decreased by HK$59.0 million and HK$52.0 million.

Distribution channels

Store Number by Ownership	Franchisee-owned Spa	Entrusted Spa	Self-owned Spa	Total Spa	Entrusted Counter	Self-owned Counter	Total Counter	Group Total	Retail Channel	Grand Total
As at 31 December 2009										
Taiwan	428	–	9	437	–	–	–	437	3,079	3,516
PRC	1,125	–	7	1,132	15	47	62	1,194	–	1,194
Others	53	–	2	55	–	–	–	55	–	55
Total	1,606	–	18	1,624	15	47	62	1,686	3,079	4,765

Store Number by Ownership	Franchisee-owned	Entrusted	Self-owned	Retail Channel	Total
As at 31 December 2009					
Taiwan	428	–	9	3,079	3,516
PRC	1,125	15	54	–	1,194
Others	53	–	2	–	55
Total	1,606	15	65	3,079	4,765

Average sales per store	2009 Average store*	2008 Average store*	2009 Average sales per store *HK$*	2008 Average sales per store *HK$*	Changes *HK$*	%
PRC	**1,352.0**	1,487.5	**293,000**	293,000	–	–
Taiwan***	**442.0**	452.0	**299,000**	300,000	(1,000)	-0.3%
Group total**	**1,794.0**	1,939.5	**294,000**	295,000	(1,000)	-0.3%

* *Average store number is calculated by (opening period total + closing period total) / 2*

** *Group total does not include Hong Kong, Macau and Malaysia turnover and store count.*

*** *Taiwan sales figure excluded retail sales of "Fonperi" brand products which are sold by different distribution channel.*

The Group principally derives its income from our unique distribution channels, namely spas and counters in department stores. As at 31 December 2009, there were 1,624 spas and 62 counters. All spas provide a variety of services, including hydrotherapy, facial treatment, body care and skin care analysis, whereas counters in department stores usually provide skin care analysis.

As at 31 December 2009, there were a total of 1,606 franchisee spas, and 18 spas and 47 counters which are directly operated by the Group. There were also 15 counters entrusted to reputable operators.

A total of 184 new stores were opened and 510 stores were closed during the year under review. The closure was mainly due to franchisees' violation of franchise terms as concluded by our store audit carried out during 2009. Franchisees who sold non-Natural Beauty products, failed to achieve minimum targets or failed to attend our free and compulsory training programs would have the franchise arrangement terminated. Through the elimination of those non-compliant stores, a good and consistent franchise network is maintained, thus ensuring the service quality for consumers.

Despite the drop in sales and decrease in the number of stores, the average sales per store in 2009 remained stable. Average sales per store in PRC in 2009 is the same as that in 2008. In Taiwan, average sales per store was also down by 0.3% from HK$300,000 to HK$299,000 during 2009.

Franchised spas are owned by franchisees and are responsible for the capital investment of their spas. They are obliged to use "Natural Beauty" or "NB" brand for products in their spas.

Retail Business

For our "Fonperi" retail products, the number of retail outlets in Taiwan has decreased from 3,628 as at 31 December 2008 to 3,079 points of sales as at 31 December 2009.

We will scale down the operation of the retail business and focus on our high margin core business.

Research and Development

The Group puts much emphasis on research and development so as to maintain our competitive edge as well as improving the quality of existing products and developing new products. The Group has been collaborating with overseas cosmetic companies on technological development and biotechnology materials were imported from Europe, Japan and Australia and applied to over 700 NB's products. The Group's research and development team comprises 13 members and a number of overseas consultants with experience and expertise in cosmetics, medical, pharmacy and bio-chemistry. NB's products are constantly enhanced and modified with the use of new ingredients developed by its research and development team. The Group believes that the collaboration of experts with different expertise and experience, together with Dr. Tsai's over 30 years of industry experience and knowledge, will give rise to high quality beauty and skin care products. NB principally uses natural ingredients to manufacture the products and adopts special formulation to cater to the specific needs of women with delicate skin. NB's products are attentive to the natural metabolism of skin with long-lasting effects.

In terms of new products development, the research and development team will take into account the feedback and advice from senior management of the Group. Prototype of new products will be distributed to over 1,000 selected senior beauty professionals. In accordance with the outcome of the tests, refinements or modifications to the products may be made prior to its full commercial launch, with a view to ensuring the high quality, effectiveness and safety standard of NB's products. When a product requires registration with relevant authorities, it will be done before it is launched in the market. All NB products are carefully produced to meet all relevant regulations.

NB has collaborated with a leading researcher in the field of human genome and stem cell technology, in the development of anti-aging NB-1 product family and other products for spot removing, whitening, anti-allergy and slimming. With Dr. Tsai's over 30 years of experience in the beauty and skin care industry and the strong professional portfolio of our research and development staff members, NB enjoys competitive advantages in the research and development of beauty and skin care products.

The total research and development costs in 2009 amounted to HK$2.5 million compared with HK$1.7 million in 2008.

New Products

Our flagship product, NB-1 products family includes anti-aging NB-1 series, NB-1 Whitening series, NB-1 anti-allergy, NB-1 pore refining series, etc. During 2009, over 331,000 sets/bottles (2008: 271,000 sets/bottles) of NB-1 family products were sold with a turnover of HK$210.8 million (2008: HK$200.2 million), accounting for more than one-third of total product sales recorded during the year under review.

Sales of health food and supplement products registered remarkable growth of 90.1% from HK$47.4 million to HK$90.1 million. Health food and supplement products were the key growth driver in 2009.

During 2009, the Group continued to enrich the product range and launched 65 new products, including 26 new health supplement products.

Human Resources

As at 31 December 2009, the Group had a total of 993 employees, of whom 777 were based in PRC, 198 in Taiwan and 18 in other areas. Total remuneration (excluding directors' emoluments) in 2009 was approximately HK$108.7 million (2008: HK$97.3 million), including retirement benefits cost of HK$12.6 million (2008: HK$10.4 million). Competitive remuneration packages are maintained to attract, retain and motivate capable staff and are reviewed on a regular basis.

During the year, the Group has appointed new directors to strengthen the management team. In addition, the Group's chief executive officer and vice president of franchise management have been on board since January 2010 and chief operating officer/chief financial officer has been on board since February 2010. Leveraging the extensive franchise network management experience of the new management team, the Group is confident of the future development of our business.

The Group maintains good relations with our employee and is committed to offering them training. Professional training courses are offered to beauticians employed by the Group and to our franchisees on a regular basis, so as to promote and maintain the quality and consistency of the services provided.

In addition, the Group adopted a share option scheme on 11 March 2002, with a view to providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employee or director of the Group or any qualified person as set out in the scheme, to subscribe for shares.

Capital Expenditures

The Group's major capital expenditures were related to self-owned spas, office renovation, IT infrastructure and machinery in our factories. There were HK$17.1 million additions to fixed assets in 2009 (2008: HK$35.4 million), comprising renovation cost and the cost incurred as a result of additional furniture and fixtures for our new Taiwan office amounting to HK$10.0 million.

Franchisees are responsible for the capital expenditures of their spas.

OUTLOOK

We remain optimistic towards the Group's business in PRC market. We believe PRC market would be one of the emerging markets to outperform other countries or regions in the coming years. The domestic consumer market in Taiwan also rebounded due mainly to the opening up of the tourism industry to PRC visitors. The Group is confident of benefiting from better consumer sentiment in the coming years.

Meanwhile, the Group will also focus on achieving cost effectiveness, enhancing product sales and profits while seeking opportunities for further growth in the future.

Despite the effects brought by the economic downturn, sales of health food and supplements segment performed well. We believe that it will become a significant source of revenue for the Group in the future and we will allocate more resources to promote and market the services in this area. We will launch new products including health food and supplements in both the PRC and Taiwan markets to meet with customers' changing needs and preferences. We believe that the comprehensive product range will give us flexibility to cope with the market challenges ahead. We will also focus on the franchisee network development through a new store format, with the aim to enhance consumers' awareness of the brand "Natural Beauty".

The Group also has also strengthened its professional management team by recruiting the chief executive officer and chief operating officer/chief financial officer and some key management positions like the Vice President of Franchise Management from multinational companies. The board believes that their expert experience in management will be beneficial to the expansion and development of the Group in the future.

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 and the remuneration committee with defined terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code on Corporate Governance") as set out in Appendix 14 to the Listing Rules. These committees are chaired by non-executive directors. The Board considers the determination of the appointment and removal of directors to be the Board's collective decision and accordingly, it does not intend to adopt the recommended best practice of the Code on Corporate Governance to set up a nomination committee.

Audit Committee

Dr. Su Sh Hsyu and Ms. Christina Shieu Yeing Ng were appointed as members of the audit committee of the Company with effect from 24 November 2009. Dr. Su Sh Hsyu, Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching resigned and Dr. Su Chien Cheng, Mr. Francis Goutenmacher, Ms. Su Mei Thompson, Mr. Chen Ruey Long and Mr. Yang Tze Kaing were appointed as the members of the audit committee of the Company with effect from 1 February 2010. The Audit Committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The audited financial statements of the Company for the year ended 31 December 2009 have been reviewed by the audit committee who 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.

Remuneration Committee

Dr. Su Chien Cheng and Mr. Patrick Thomas Siewert were appointed as members of the remuneration committee of Natural Beauty with effect from 24 November 2009. Dr. Su Chien Cheng, Mr. Yeh Liang Fei, Mrs. Chen Shieh Shu Chen and Mr. Chen Ching resigned and Dr. Tsai Yen Yu, Dr. Su Sh Hsyu, Mr. Gregory Michael Zeluck, Mr. Chen Ruey Long and Ms. Su Mei Thompson were appointed as the members of the remuneration committee of the

Company with effect from 1 February 2010. The remuneration committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

Compliance with the Code on Corporate Governance Practices

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the year ended 31 December 2009, except for the following deviation:

Code provision E.1.2

This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer's annual general meeting. Dr. Tsai Yen Yu, the Chairperson of the Company, has been heavily committed to business operations of the Group in the Mainland China and Taiwan. Despite her utmost intention to be present at the Company's 2009 annual general meeting held on 5 June 2009, business circumstances made it impossible. However, although she was unable to attend, Dr. Tsai had arranged for Dr. Su Chien Cheng, an executive director of the Company who is well versed in all the business activities and operations of the Group, to attend on her behalf and to chair the meeting and to respond to shareholders' questions.

Dr. Su was unable to travel from Taiwan on that day due to personal health issue (not suitable to travel), so Mr. Chen Ching, an independent non-executive director, had chaired the AGM on behalf of the Board.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.040 per share (2008: final dividend of HK$0.0335 per share). The final dividend will be distributed on or around 18 June 2010 to shareholders whose names appear on the register of members of the Company as at the close of business on 24 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2010 to 24 May 2010, both dates inclusive, during which period no transfer of shares may be registered. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged 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, Hong Kong not later than 4:30 p.m. on 19 May 2010. The final dividend will be distributed on or around 18 June 2010.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

This annual results announcement is also published on the website of the Stock Exchange and that of the Company at www.nblife.com/ir. An annual report of the Company containing all the information required by paragraph 45 of Appendix 16 of the Listing Rules will be despatched to the shareholders and will be published on the website of the Company and that of the Stock Exchange in due course.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR

The scope of work of Messrs. Deloitte Touche Tohmatsu is as follows:

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board
Dr. Tsai Yen Yu
Chairman

As at the date of this announcement, the board of the Company comprises Dr. Tsai Yen-Yu and Mr. Lee Ming-Ta as executive directors, Dr. Su Chien-Cheng, Dr. Su Sh-Hsyu, Mr. Patrick Thomas Siewert, Mr. Gregory Michael Zeluck, Ms. Janine Junyuan Feng and Ms. Christina Shieu-Yeing Ng as non-executive directors and Mr. Francis Goutenmacher, Ms. Su-Mei Thompson, Mr. Chen Ruey-Long and Mr. Yang Tze-Kaing as independent non-executive directors.

Hong Kong, 25 March 2010