

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)
(於開曼群島註冊成立之有限公司)



"Qi" of Beauty

ANNUAL REPORT 2004

二零零四年度年報

Corporate Information 企業資料



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Mission Statement

我們的使命

Natural Beauty is dedicated to cultivate our staff,
customers, students and franchisees to
appreciate our education, products and services, which
are made by the love and kindness of
our founder, Dr. Tsai Yen Pin, who made
modern ladies beautiful, confident and wealthy.



我們致力於使員工、顧客、學員及加盟老師們存着一份感恩的心
來到自然美，學習自然美容術及使用自然美產品及服務，
這都是自然美創辦人蔡燕萍博士以愛心砌成
累積的成果，幫助無數女性建立美麗、自信及財富。



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管理層履歷與社區服務

BOARD OF DIRECTORS

Dr. Tsai Yen Yu
(alias Dr. Tsai Yen Pin) (*Chairman*)
Mr. Lee Ming Ta
(alias Mr. Lee Ming Tah)
Mr. Su Chien Cheng
Dr. Su Sh Hsyu
Mr. Yeh Liang Fei
(*Independent Non-executive Director*)
Mrs. Chen Shieh Shu Chen
(*Independent Non-executive Director*)
Mr. Chen Ching
(*Independent Non-executive Director*)

AUTHORISED REPRESENTATIVES

Mr. Lee Ming Ta
(alias Mr. Lee Ming Tah)
Mr. Su Chien Cheng

COMPANY SECRETARY

Mr. Chan Yan Kwan, Andy CPA, FCCA

MEMBERS OF THE AUDIT COMMITTEE

Mr. Yeh Liang Fei
Mrs. Chen Shieh Shu Chen
Mr. Chen Ching

REGISTERED OFFICE

P. O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor, Chuang's Tower
30-32 Connaught Road Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

Fong & Ng
In association with King & Wood (PRC lawyers)
and Goodmans
Room 1101, 11th Floor
9 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Land Bank of Taiwan
No. 76, Section 2, Tun Hua South Road
Taipei
Taiwan

The International Commercial Bank of China
No. 62, Section 2, Tun Hua South Road
Taipei
Taiwan

Agricultural Bank of China
Shanghai Branch
3rd Floor, 26 Zhong Shan Dong Yi Road
Shanghai
The PRC

Bank of Communications
Shanghai Branch, Zhabei Sub-branch
211 Hengtong Road
Shanghai
The PRC

董事會

蔡燕玉博士
(又名蔡燕萍博士)(主席)
李明達先生
蘇建誠先生
蘇詩琇博士
葉良輝先生
(獨立非執行董事)
陳謝淑珍女士
(獨立非執行董事)
湛清先生
(獨立非執行董事)

法定代表

李明達先生
蘇建誠先生

公司秘書

陳仁君先生 CPA, FCCA

審核委員會成員

葉良輝先生
陳謝淑珍女士
湛清先生

註冊辦事處

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

總辦事處及香港主要營業地點

香港
中環
干諾道中30-32號
莊士大廈17樓

核數師

德勤•關黃陳方會計師行
執業會計師
香港
中環
干諾道中111號
永安中心26樓

法律顧問

方和吳正和律師行
聯同金杜律師事務所(中國大陸律師)及
高文律師事務所
香港
皇后大道中9號
11樓1101室

主要往來銀行

香港上海滙豐銀行有限公司
香港
皇后大道中1號

台灣土地銀行
台灣
台北
敦化南路2段76號

中國國際商業銀行
台灣
台北
敦化南路2段62號

中國農業銀行
上海市分行
中國
上海
中山東一路26號3樓

交通銀行
上海市分行閘北支行
中國
上海
211恆通路

Financial Highlights

財務摘要

RESULTS

業績

		Year ended 31 December, 截至十二月三十一日止年度				
		2000 二零零零年 HK\$'000 千港元	2001 二零零一年 HK\$'000 千港元	2002 二零零二年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
TURNOVER	營業額	205,514	254,566	323,251	320,086	358,142
PROFIT BEFORE TAXATION	除稅前溢利	95,582	105,356	94,097	83,525	99,058
TAXATION	所得稅	(25,505)	(35,638)	(27,174)	(30,084)	(36,333)
PROFIT BEFORE MINORITY INTERESTS	除少數股東權益前溢利	70,077	69,718	66,923	53,441	62,725
MINORITY INTERESTS	少數股東權益	56	1,325	1,335	701	537
NET PROFIT FOR THE YEAR	本年度純利	70,133	71,043	68,258	54,142	63,262

ASSETS AND LIABILITIES

資產與負債

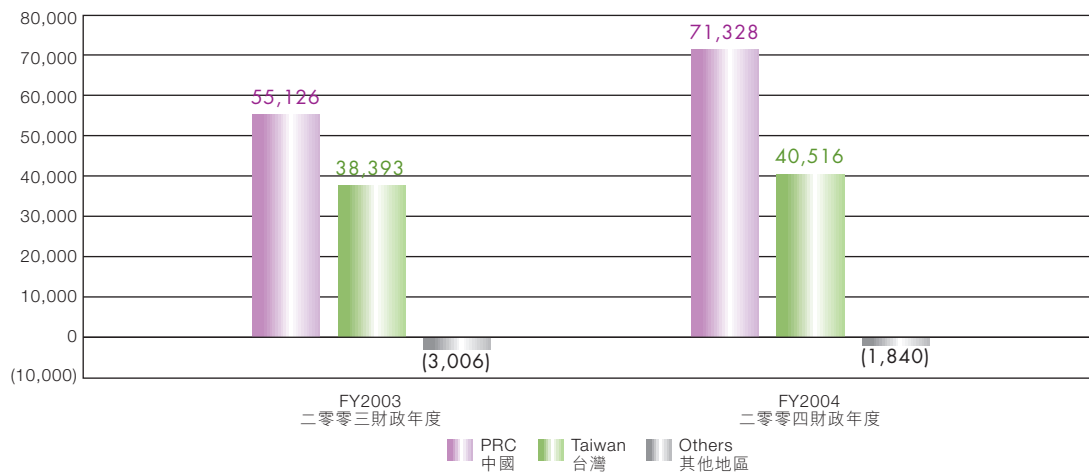
		At 31 December, 於十二月三十一日				
		2000 二零零零年 HK\$'000 千港元	2001 二零零一年 HK\$'000 千港元	2002 二零零二年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
TOTAL ASSETS	總資產	603,635	647,489	871,170	841,415	900,231
TOTAL LIABILITIES	總負債	(134,423)	(164,877)	(107,034)	(80,827)	(95,600)
MINORITY INTERESTS	少數股東權益	(4,316)	(28,269)	(20,322)	(10,199)	(9,662)
SHAREHOLDERS' FUNDS	股東資金	464,896	454,343	743,814	750,389	794,969

Financial Highlights

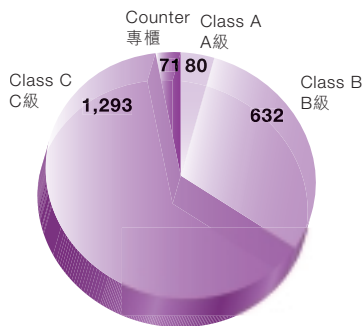
財務摘要

Operating profits by geographical region 按地區劃分之經營溢利

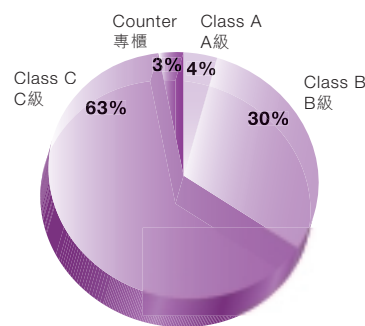
HKS\$'000
千港元



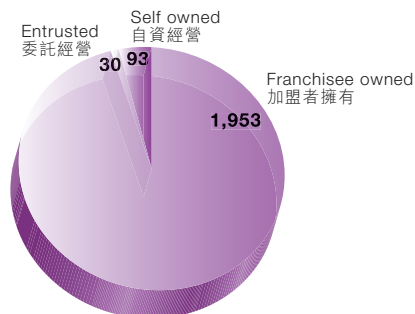
Store Number by Type 按種類劃分之店舖數目



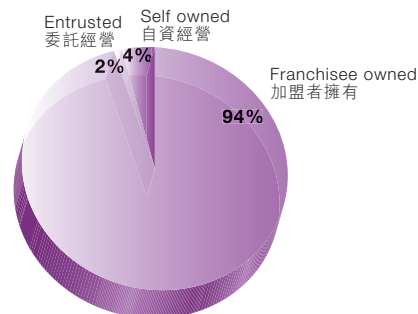
Store Number by Type (%) 按種類劃分之店舖數目 (%)



Store Number by Ownership 按擁有權劃分之店舖數目



Store Number by Ownership (%) 按擁有權劃分之店舖數目 (%)



Dear shareholders,

Striving to be the leading beauty products and spa services provider in Greater China, Natural Beauty is pleased to announce that we are well positioned to capitalize on the strong growth potential in the region, especially in China. During the year ended 31 December 2004, we have achieved a total turnover of HK\$358.1 million, representing a year-on-year growth rate of 11.9%. Net income illustrated a satisfactory growth of 16.8% to HK\$63.2 million. The improvement reflects our past efforts in enhancing the business operations, revamping brand image, developing distribution channels, expanding product and service categories and training of beauticians.

Natural Beauty had 2,076 stores as of 31 December 2004, representing a drop of 12.4% as compared with last year. Thanks to better allocation of resources and improved operation efficiency, average sales per store increased by 16.7% to HK\$161,000 for the year ended 31 December 2004. Satisfactory revenue growth together with an efficient cost-base resulted in a sustainable gross profit margin and net profit margin at 77.0% and 17.7% respectively.

Our brand – Natural Beauty – was nominated as Top 10 most influential cosmetic brands in China and the Company has won the Golin Awards in Corporate Branding/Reputation Management. In addition, our franchisee network is nominated as the best franchisee network with the highest consumer recognition rate of 49.7% according to the Annual Report of 2005 Beauty Economics in China.

RIGHT STRATEGIES FOR CONTINUOUS IMPROVEMENT

Increasing spending in beauty and skin care products and services, especially in China, presents an enormous business opportunity for Natural Beauty. According to the Annual Report of 2005 Beauty Economics in China, it is expected that the growth rate of beauty service industry will remain at approximately 15% from 2003 to 2007 as opposed to the country's GDP growth of 8%. On the other hand, the growth rate for cosmetic industry will be 9.4% of the same period. We, being the oriental beauty professionals, are well prepared to capture the opportunities ahead with the following strategies:

- Revamp brand image – Established a branding strategy to revamp our image to be more appealing to our potential client base, typically young office ladies ranging from age 25 to 39. In addition, we will continue to build and maintain close relationships amongst media and investor communities.
- New sales initiatives – Following the successful launch of NB-1 series in December 2003, Natural Beauty rolled out new products within NB-1 family by launching NB-1 Deep Whitening series in 2004. In addition, we will also continue in introducing other synergistic products such as health supplements and body sculpturing lingerie.



Chairman's Statement

主席報告書

Regarding the services income, Natural Beauty plans to explore new revenue sources. A new system of franchise fee would be implemented in 2005 while promotion and training fee to be introduced in 2006. We believe such new sales initiatives would further enhance the earning capacity of the Company and led to higher sales per store.

- Professional skin care examination – In 2004, we have launched NB-patented computerized skin and iris health examination system, together with our extensive experience in beauty know-how, to increase cross-selling opportunity through customized technology. This will continue to be an effective tool for beauty consultants to provide a thorough diagnosis and customized solutions with fully integrated products and services to the customers.
- Improving distribution system – Our first logistic center began operations in Shanghai in December 2004. With the implementation of China Post Logistics, it will take only 2 to 3 days for franchised stores to receive products as opposed to 2 to 3 weeks in the past. We foresee an improvement in inventory days, in labor costs and in internal communication of marketing campaigns. Beijing, Guangzhou, Chongqing and Xian logistics centers are expected to be in full operation by mid 2005.

OUR VISION

Every successful business will need consolidation after certain good years, in order to be prepared for future success. We believe the potential for a company and security of returns for investors are just as important as the sales growth. With clear goals and careful future plans for the Company, I am pleased to see that Natural Beauty is now in a strong position for further growth in 2005 and onwards. We will continue to leverage our competitive strengths to bring fruitful returns to our shareholders.

Natural Beauty is dedicated to cultivate our staff, customers, students and franchisee owners to appreciate our education, products and services, who made modern ladies beautiful, confident and wealthy.

NOTE OF THANKS

I would like to once again, with great pleasure, thank the members of the Board, shareholders, and business partners for their valuable support and guidance. I am also very appreciative and grateful to the Group's management team and staff for their commitment and hard work.

Dr. Tsai Yen Yu

Chairman

Hong Kong, 20 April 2005

各位股東：

自然美一向致力成為居大中華區領導地位的美容產品及水療中心服務供應商，現欣然宣佈，本公司已穩據有利位置，勢能把握區內，特別是中國的強勁增長潛力。截至二零零四年十二月三十一日止年度，本公司錄得總營業額358,100,000港元，較去年增長11.9%。淨收益增加16.8%至63,200,000港元，成績令人滿意，足證本集團過去積極改善業務經營、提升品牌形象、發展分銷渠道、擴闊產品及服務種類以及培訓美容師取得成果。

於二零零四年十二月三十一日，自然美設有2,076家專門店，較去年減少12.4%，惟透過改善資源分配及經營效率，每間專門店的平均銷售額於截至二零零四年十二月三十一日止年度，增加16.7%至161,000港元。收益增長理想，加上具效益成本基礎，邊際毛利及邊際純利分別達77.0%及17.7%。

本公司的自然美品牌於中國獲譽為十大最具影響力化粧品牌，本公司更榮獲Golin Awards的Corporate Branding/Reputation Management獎項。此外，本公司的加盟店網絡亦獲提名為最佳加盟店網絡，而根據Beauty Economics in China二零零五年年報，本公司加盟店網絡之客戶認受率高踞榜首，達49.7%。

持續改善最佳策略

隨著美容與護膚產品及服務消費日增，尤其是在中國，為自然美締造龐大商機。根據Beauty Economics in China二零零五年年報，預期於二零零三年至二零零七年期間，美容服務業增長率將維持於約15%水平，而國內生產總值增長率則為8%，化粧業同期增長率將為9.4%。作為東方美容專才，本公司已準備就緒，採取以下策略以於日後抓緊機會：

- 提升品牌形象－制定品牌策略，提升本公司形象與對潛在客戶群的吸引力，一般為25至39歲的年輕辦公室女郎。此外，本公司將繼續建立及維繫與傳媒及投資者之緊密關係。
- 銷售新猶－有見NB-1系列於二零零三年十二月成功推出後，取得極佳成績，自然美於二零零四年推出NB-1系列新產品－NB-1深層美白系列。此外，本公司亦將繼續推廣保健及塑身內衣等其他輔助產品。



Chairman's Statement

主席報告書

服務收益方面，自然美計劃開拓新收益來源。新加盟費制度於二零零五年實行，本公司亦將於二零零六年收取推廣及培訓費用。本公司相信，該等新銷售計劃將進一步加強本公司獲利能力，提升每間店舖的銷售額。

- 專業護膚測試－於二零零四年，本公司推出NB專利電腦化皮膚及虹膜健康測試系統，加上本公司的豐富美容專業知識，將可藉特別設計的技術增加相互銷售機會，成為美容顧問的有效工具，從而透過全面產品及服務，向顧客提供透徹分析及度身訂造服務。
- 改善分銷制度－本公司首家物流中心已於二零零四年十二月在上海開業。實行中國郵政物流後，加盟店可於短短2至3天內獲取供貨，而過去則需時2至3星期。本公司預期，存貨流轉期、勞工成本及市場推廣活動內部通訊將得到改善。北京、廣州、重慶及西安的物流中心預期將於二零零五年年中全面運作。

本公司目標

每家成功企業即使連年取得佳績，亦會作出整合，以為日後繼續增長作好準備。本公司相信，公司的發展潛力及回餽投資者與銷售額增長同樣重要。憑藉清晰的目標及審慎的日後計劃，本人喜見自然美正蓄勢待發，於二零零五年及日後更上一層樓。本公司將繼續發揮競爭優勢，為本公司股東帶來豐碩回報。

自然美致力培育員工、客戶、學員及加盟店經營商，使之體會本公司教育、產品及服務質素之精良，令現代女性漂亮動人及自信富足。

致謝

本人謹再次向董事會成員、股東及業務夥伴的寶貴支持及指導致以衷心謝意，亦感謝本集團管理層隊伍及員工的竭誠服務及努力工作。

主席


蔡燕玉博士

香港，二零零五年四月二十日

A woman in a purple dress is emerging from a large, dark, textured rock formation. She is positioned on the left side of the frame, with her body angled towards the right. The rock has a rough, layered appearance. The background is dark and indistinct.

*Time is not the enemy.
Time simply chisels away
what is not perfect,
until your inner beauty
bursts into full bloom.*

၈၃

A person with purple body paint is crouching on a large, textured rock. The background is dark, and the lighting highlights the person's form and the rock's surface.

時間
不是青春的敵人
它只是一直在那裡 呆著
等 待 我們 抓緊
沉澱 出美的 氣質

୦୩

Management Discussion & Analysis
管理層討論及分析

Financial Review

財務概況

Financial Review

財務概況

FINANCIAL REVIEW

Turnover has increased 11.9% to HK\$358.1 million in 2004 compared to HK\$320.1 million in 2003. The increased is attributable to the growth in both Taiwan and PRC markets, by over 20% and 6% respectively, reflecting the robust growth in Greater China Region. Despite the overall store number in 2004 was reduced by 293 stores, the Group average sales per store increased from HK\$138,000 in 2003 to HK\$161,000 in 2004.

In the PRC, the turnover increased by 6.7% or HK\$13.4 million to HK\$214.1 million, above the domestic growth rate for cosmetic industry in PRC at 5.2%. The relatively small increase in PRC is caused by the reduction of 171 of our stores from 1,693 stores in 2003 to 1,522 stores as at 31 December 2004, resulting from merging smaller stores into more effective ones to increase sales per store. The average sales per store in PRC, increased by HK\$11,000 from HK\$122,000 in 2003 to HK\$133,000 in 2004, representing a 9% improvement. With our effective advertising and marketing initiatives, the operating costs increased at a lower pace than the growth in sales, hence the operating profit in PRC recorded a 29.4% growth to HK\$71.3 million in 2004.

Taiwan market also shows improvement in 2004, and turnover increased by HK\$24.1 million, or 20.4% to HK\$142.2 million in 2004 compared to HK\$118.1 million in 2003, despite the drop of 121 in store numbers. The increase in Taiwan market is mainly attributable to higher average sales per store, from HK\$175,000 in 2003 to HK\$237,000 in 2004, representing a 35% of growth. However, due to lower other revenues generated in Taiwan and the distribution cost to total turnover increased by 5% to 45% in 2004, as a result, the operating profits slightly increased by 5.5% to HK\$40.5 million in 2004.

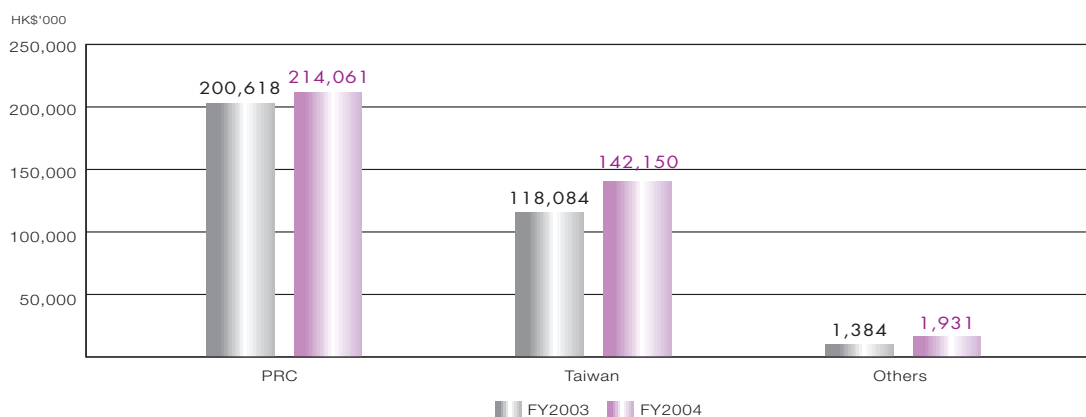
Other markets includes Hong Kong and Malaysia, there are 2 stores in Hong Kong as at 31 December 2004. The operations of these regions remain immaterial and account for less than 1% of total turnover to the Group.

Turnover by geographical region	2004		2003		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	214,061	59.8%	200,618	62.7%	13,443	6.7%
Taiwan	142,150	39.7%	118,084	36.9%	24,066	20.4%
Others	1,931	0.5%	1,384	0.4%	547	39.5%
Total	358,142	100.0%	320,086	100.0%	38,056	11.9%

Financial Review

財務概況

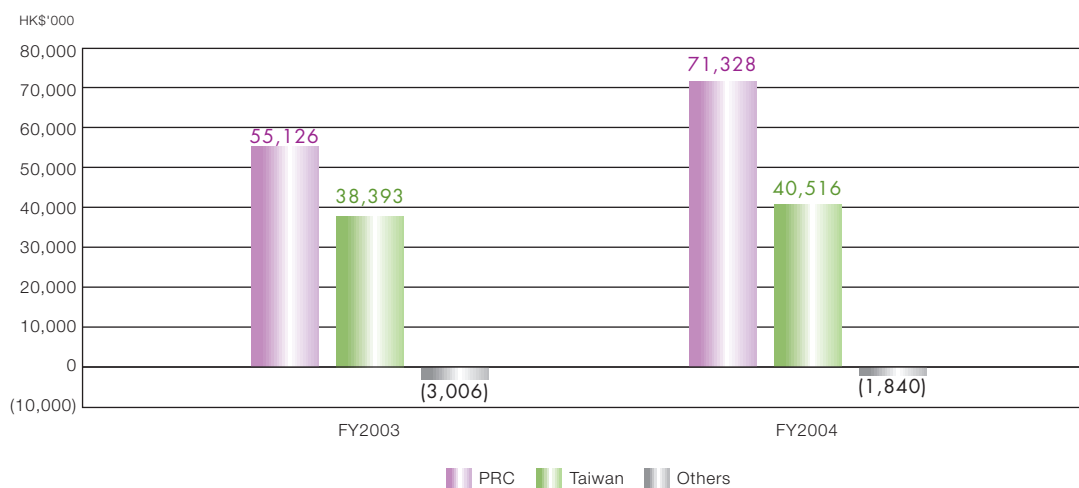
Turnover by geographical region



Operating profits by geographical region

	2004		2003		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	71,328	71.8%	55,126	66.0%	16,202	29.4%
Taiwan	40,516	40.8%	38,393	46.0%	2,123	5.5%
Others	(1,840)	-1.9%	(3,006)	-3.6%	1,166	-38.8%
Unallocated corporate expenses	(10,609)	-10.7%	(6,982)	-8.4%	(3,627)	51.9%
Total	99,395	100.0%	83,531	100.0%	15,864	19.0%

Operating profits by geographical region



Financial Review

財務概況

Average sales per stores

	2004	2003	2004	2003		
	Average	Average	Average	Average	Changes	Changes
	store	store	sales per	sales per	HK\$	%
			stores	store		
			HK\$	HK\$		
PRC	1,607.5	1,641.5	133,000	122,000	11,000	9%
Taiwan	600.0	676.0	237,000	175,000	62,000	35%
Group total	<u>2,207.5</u>	<u>2,317.5</u>	<u>161,000</u>	<u>138,000</u>	<u>23,000</u>	<u>16.7%</u>

PRODUCTS

The Group manufactures and sells three main types of products, namely skin care products, beauty products and aromatherapeutic products under the NB and Bio-up brand names. Sales of products are primarily made through spas and dedicated counters and are the Group's key revenue contributor, accounting for HK\$324.7 million, or 90.7% in 2004, compared to HK\$296.6 million, or 92.7% in 2003, representing a 9.5% increase. Gross margin of products remain stable at 85.2%.

The increase in products sales is mainly attributable to the improvement in the average sales per store, with the revamp of brand image and effective marketing efforts.

SERVICES

The Group provides skin treatments, beauty and spa services through its self-owned and operated spas. Service income is generated from 22 self-owned spas as the Group does not share any service income generated in the franchised spas with franchisees under the current franchise programme. Income from these services increased by 51.4% to HK\$28.3 million, mainly due to Severe Acute Respiratory Syndrome ("SARS") affected Asia in first half 2003, which Customers were inhibited to visit our spa centers.

While there are needs to establish self-owned stores in new markets as model spas, the Group considers it would be more profitable as a whole to allocate resources to stimulate product sales instead of operating our own spas, due to higher overhead costs compared to franchisees. The Group continues to entrust certain of our spas in explored markets to reputable operators.

Financial Review

財務概況

ENTRUSTMENT INCOME

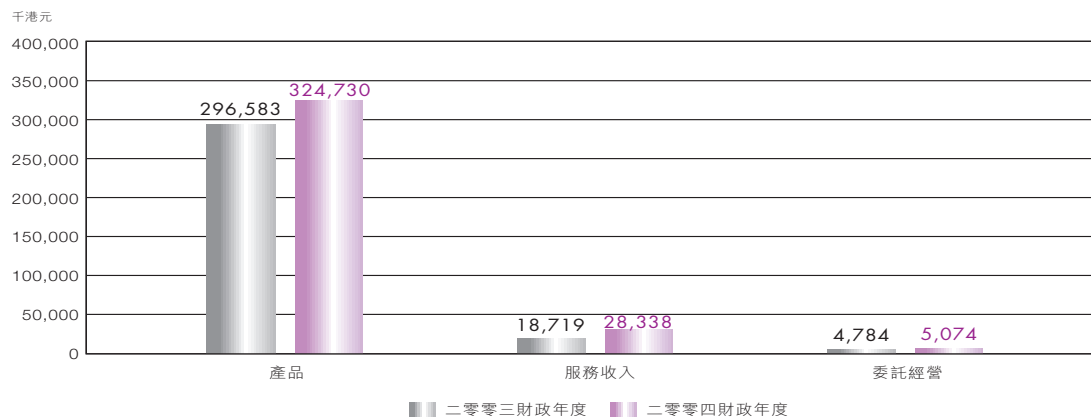
In order to allocate our financial and human resources more efficiently, the Group had 18 entrustment arrangements as at 31 December 2004, ranging from one to five years, where our self-owned spas were entrusted to reputable operators in the local areas. The operators will be responsible for all the profits and losses of the operations and the Group receives a fixed annual entrustment income. The Group sells products to the operators with similar terms as to the franchisees.

The Group believes the entrustment arrangement will be a win-win situation for both the operators and the Group. Local operators can better serve the specific needs of the local customers, and hence generate more product and service revenue. The Group, on the other hand, can secure a steady annual entrustment income while maintaining the distribution location, and to re-allocate our resources to explore new markets.

The entrustment income increased 6.1% to HK\$5.1 million compared to HK\$4.8 million in 2003.

Turnover by activities	2004		2003		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	324,730	90.7%	296,583	92.7%	28,147	9.5%
Service Income	28,338	7.9%	18,719	5.8%	9,619	51.4%
Entrustment	5,074	1.4%	4,784	1.5%	290	6.1%
Total	358,142	100.0%	320,086	100.0%	38,056	11.9%

按業務劃分之營業額





Financial Review

財務概況

With the effective advertising and marketing efforts, the Group's distribution costs as a percentage of turnover decreased from 38.6% in 2003 to 35.4% in 2004. The administration expense also reduced HK\$5.7 million to HK\$63.9 million in 2004 compared to HK\$69.6 million in 2003.

As a result, the operating profit increased by 19%, from HK\$83.5 million in 2003 to HK\$99.4 million in 2004.

Taxation expenses increased 20.8% from HK\$30.1 million in 2003 to HK\$36.3 million in 2004. The effective tax rate of the Group for financial year ended 31 December 2003 and 2004 were 36.0% and 36.7% respectively. The high effective tax rate is mainly attributable to the fact that there are withholding taxes on dividends paid by our Taiwan subsidiaries when the dividends were paid outside Taiwan. The total withholding tax expense charged by Taiwan tax authority amounted to HK\$2.1 million in 2004 (2003: HK\$1.7 million).

As a result, the net income for the year increased 16.8% from HK\$54.1 million in 2003 to HK\$63.3 million in current year.

LIQUIDITY AND FINANCIAL RESOURCES

Cash generated from operations for 2004 was approximately HK\$157.1 million (2003: HK\$37.3 million). The increase was primarily due to increased sales, better management of trade receivables and inventory balances. As at 31 December 2004, the Group had bank balances and cash of approximately HK\$235.9 million (2003: HK\$170.3 million) and trading securities (which are mainly capital guaranteed bond funds) of approximately HK\$94.4 million (2003: HK\$67.6 million) with no external bank borrowing.

In terms of gearing, as at 31 December 2003 and 2004, the Group's gearing ratio was zero (defined as net debt divided by shareholders' equity) as the Group has a net cash balance as at both year end dates. Current ratio of the Group (defined as current assets divided by current liabilities) as at 31 December 2003 and 2004 were 6.0 times. As at 31 December 2004, the Group had no material contingent liabilities, other than those disclosed in its financial statements and notes thereto. With the cash and short term securities in hand, the Group's liquidity position remains strong and the Group has sufficient financial resources to finance its commitments and working capital requirements.

CHARGES ON ASSETS

Certain freehold investment properties of the Group with a carrying amount of HK\$156.1 million (2003: HK\$141.6 million) are pledged to a bank. The banking facilities granted by the bank were terminated in 2002 but the charge has not been released to facilitate application of banking facilities in the future.

CONTINGENT LIABILITIES

On 10 September 2002, 8 October 2002 and 29 October 2002, Shanghai Natural Beauty Sanlian Cosmetics Company Limited (“NB Sanlian”) and Chong Ming Sanlian Investment Development Company (“Chong Ming Sanlian”), an independent third party, entered into 25 Sales and Purchase Agreements (“S&P Agreements”) with the respective minority shareholders (“Vendors”) of the Group’s subsidiaries in the PRC (the “PRC subsidiaries”) to acquire the equity interests of the PRC subsidiaries owned by the vendors and to assume all management and operation rights of the PRC subsidiaries. The acquisitions were completed during the year ended 31 December 2003.

Under the terms of the S&P Agreements, in the event that Chong Ming Sanlian fails to settle the amounts owed to the Vendors for the acquisition of the equity interests in the PRC subsidiaries, NB Sanlian has undertaken to settle the outstanding amounts on behalf of Chong Ming Sanlian. At 31 December 2004, in respect of the purchase consideration, Chong Ming Sanlian owes to the minority shareholders a total amount of approximately HK\$843,000 (2003: HK\$6,123,000).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group derives most of its revenue denominated in Renminbi and New Taiwan Dollar from the PRC and Taiwan as its operations are mainly concentrated in these two geographical areas. As at 31 December 2004, approximately 85.6% (2003: 71.6%) of the Group’s bank balances and cash was denominated in Renminbi, while approximately 4.3% (2003: 2.5%) was denominated in New Taiwan Dollar and the remaining 10.1% (2003: 25.9%) was denominated in United States Dollars, Hong Kong Dollars and Malaysia Ringgits. The Group continued to adopt a conservative approach in respect 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.

財務概況

營業額由二零零三年之320,100,000港元增加11.9%至二零零四年之358,100,000港元，主要受台灣及中國市場分別錄得增長逾20%及6%之帶動，反映大中華地區增長強勁。儘管二零零四年店舖總數減少293間，惟本集團每間店舖之平均銷售額由二零零三年之138,000港元增至二零零四年之161,000港元。

中國營業額增加6.7%或13,400,000港元至214,100,000港元，較中國化粧品業之增長5.2%為高。中國所得營業額增幅較少乃由於本公司將規模較小之店舖合併，以提高效益，從而提升各店舖之銷售額，此舉導致本公司於二零零四年十二月三十一日之店舖數目較二零零三年之1,693間減少171間至1,522間，惟中國每間店舖之平均銷售額由二零零三年之122,000港元增加11,000港元至二零零四年之133,000港元，增幅達9%。在卓有成效之廣告及市場推廣策略推動下，經營成本之增幅低於銷售額之增幅，二零零四年中國之經營溢利因而增加29.4%至71,300,000港元。

於二零零四年，台灣市場亦錄得增長，儘管店舖數目減少121間，惟營業額由二零零三年之118,100,000港元增加24,100,000港元或20.4%至二零零四年之142,200,000港元。台灣市場錄得增長主要由於每間店舖之平均銷售額由二零零三年之175,000港元增加至二零零四年之237,000港元，增幅達35%。然而，由於台灣之其他收入減少，而二零零四年總營業額當中之分銷成本增加5%至45%，因此，二零零四年之經營溢利微升5.5%至40,500,000港元。

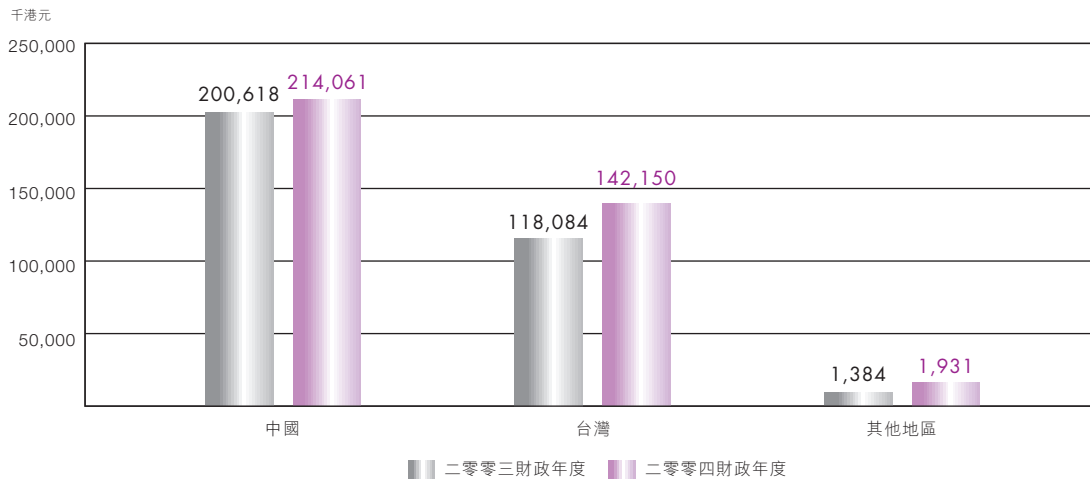
其他市場包括香港及馬來西亞，本公司於二零零四年十二月三十一日在香港設有兩間店舖。該等地區之業務並不重大，佔本集團總營業額少於1%。

按地區劃分之營業額	二零零四年		二零零三年		變動	
	千港元	%	千港元	%	千港元	%
中國大陸	214,061	59.8%	200,618	62.7%	13,443	6.7%
台灣	142,150	39.7%	118,084	36.9%	24,066	20.4%
其他地區	1,931	0.5%	1,384	0.4%	547	39.5%
總計	358,142	100.0%	320,086	100.0%	38,056	11.9%

Financial Review

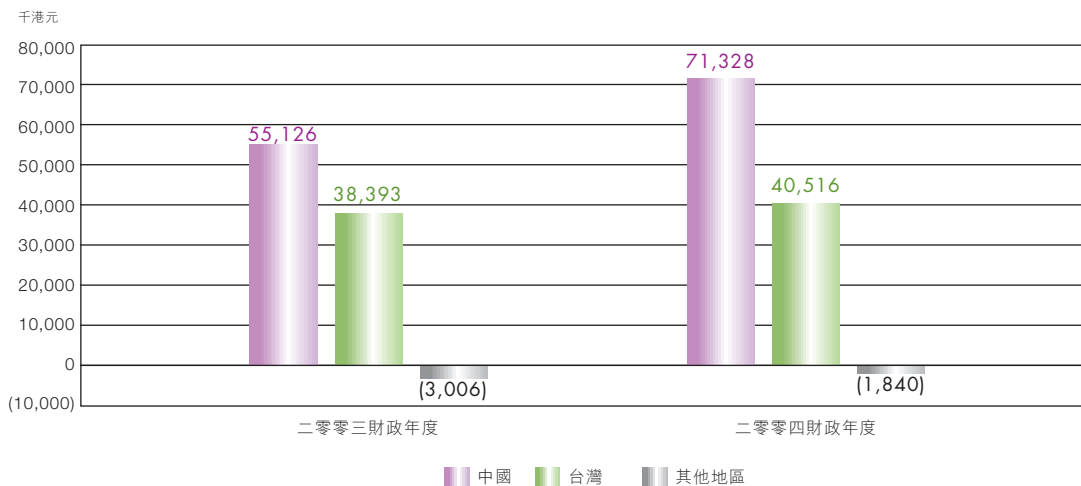
財務概況

按地區劃分之營業額



各地區之經營溢利	二零零四年		二零零三年		變動	
	千港元	%	千港元	%	千港元	%
中國大陸	71,328	71.8%	55,126	66.0%	16,202	29.4%
台灣	40,516	40.8%	38,393	46.0%	2,123	5.5%
其他地區	(1,840)	-1.9%	(3,006)	-3.6%	1,166	-38.8%
未撥配公司支出	(10,609)	-10.7%	(6,982)	-8.4%	(3,627)	51.9%
總計	99,395	100.0%	83,531	100.0%	15,864	19.0%

各地區之經營溢利



Financial Review

財務概況

店舖平均銷售額

	二零零四年 平均店舖 數目	二零零三年 平均店舖 數目	二零零四年 店舖平均 銷售額 港元	二零零三年 店舖平均 銷售額 港元	變動 港元	變動 %
中國大陸	1,607.5	1,641.5	133,000	122,000	11,000	9%
台灣	600.0	676.0	237,000	175,000	62,000	35%
集團總計	2,207.5	2,317.5	161,000	138,000	23,000	16.7%

產品

本集團以NB及Bio-up品牌製造及銷售護膚、美容及香薰等三大類產品，主要透過水療中心及專櫃銷售產品，為本集團主要收入來源，於二零零四年之銷售額為324,700,000港元或90.7%，較二零零三年之296,600,000港元或92.7%增加9.5%。產品之邊際毛利則穩定維持於85.2%之水平。

產品銷售增加主要由於每間店舖平均銷售額增加、提升品牌形象以及有效市場推廣工作所致。

服務

本集團亦透過自資經營的水療中心提供肌膚護理、美容及spa服務。由於根據現時之加盟經營計劃，本集團不可分佔加盟經營者所經營水療中心所得任何服務收益，因此服務收益僅源自22間自資經營的水療中心。該等服務產生之收益增加51.4%至28,300,000港元，主要受二零零三年上半年亞洲地區爆發嚴重急性呼吸系統綜合症（「非典型肺炎」）影響，導致顧客暫停惠顧我們之水療中心。

由於本集團需於新市場設立自資經營的水療中心作為模範，本集團認為，與加盟店相比，自資經營水療中心的開支較高，加上產品銷售所帶來的利潤整體而言較經營水療中心更為豐厚，因此，本集團將會繼續於已開發市場，將若干水療中心委託予優秀經營者經營。

委託經營收益

委託經營的水療中心由本集團擁有及委託當地優秀經營者經營，以更有效分配財務及人力資源。於二零零四年十二月三十一日，本集團訂有18份委託安排，經營年期由一至五年不等。經營者將自負盈虧，而本集團則向經營者收取定額委託經營收益。本集團亦向經營者銷售產品，銷售條件跟加盟者相若。

本集團相信，委託安排將為經營者及本集團締造雙贏局面。本地經營者可提供更迎合本地顧客特定需要的服務，亦可帶來更多產品及服務收益。此外，本集團可每年獲取穩定委託經營收益，並可鞏固分銷地點，從而調配資源至開拓新市場。

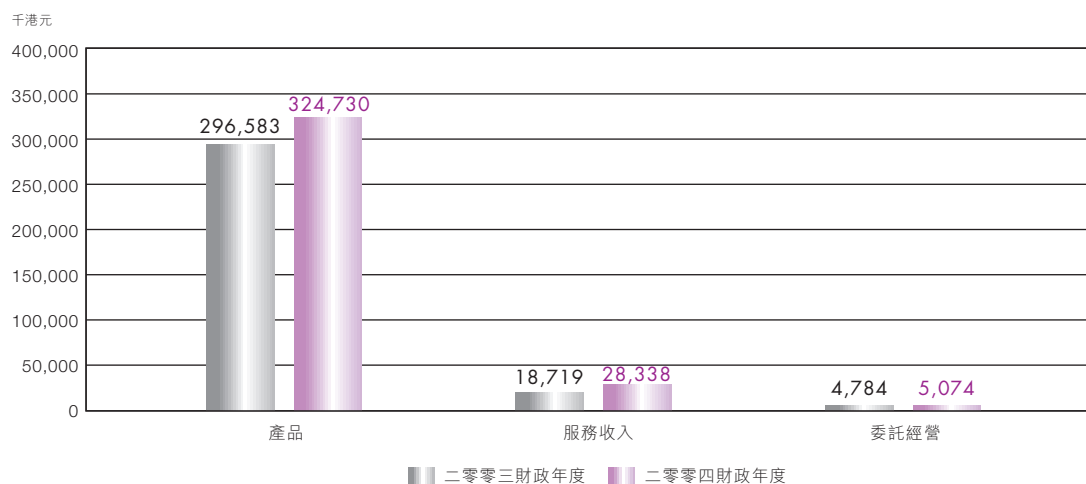
Financial Review

財務概況

委託經營收益較二零零三年之4,800,000港元增加6.1%至5,100,000港元。

按業務劃分之營業額	二零零四年		二零零三年		變動	
	千港元	%	千港元	%	千港元	%
產品	324,730	90.7%	296,583	92.7%	28,147	9.5%
服務收入	28,338	7.9%	18,719	5.8%	9,619	51.4%
委託經營	5,074	1.4%	4,784	1.5%	290	6.1%
總計	358,142	100.0%	320,086	100.0%	38,056	11.9%

按業務劃分之營業額



透過有效的廣告及市場推廣工作，本集團分銷成本佔營業額之百分比由二零零三年之38.6%減少至二零零四年之35.4%。二零零四年之行政開支亦由二零零三年之69,600,000港元減少5,700,000港元至63,900,000港元。

因此，二零零四年之經營溢利較二零零三年之83,500,000港元上升19%至99,400,000港元。

稅項支出由二零零三年之30,100,000港元上升20.8%至二零零四年之36,300,000港元。本集團截至二零零三年及二零零四年十二月三十一日止財政年度之實際稅率分別為36.0%及36.7%。實際稅率較高，主要由於本集團之台灣附屬公司須就於台灣以外地區派發之股利繳付預扣稅。台灣稅務機關於二零零四年收取之預扣稅總額為2,100,000港元（二零零三年：1,700,000港元）。

因此，本年度之全年收入淨額較二零零三年之54,100,000港元上升16.8%至63,300,000港元。

流動資金及財務資源

二零零四年來自經營業務所得的現金約為157,100,000港元（二零零三年：37,300,000港元），有關升幅主要由於銷售額增加、更有效管理貿易應收賬款及存貨結餘所致。於二零零四年十二月三十一日，本集團現有銀行結存及現金約235,900,000港元（二零零三年：170,300,000港元）及買賣證券（主要為保本債券基金）約94,400,000港元（二零零三年：67,600,000港元），另外並無銀行借款。

關於資產負債情況，於二零零三年及二零零四年十二月三十一日，本集團資產負債比率（界定為淨負債除股東權益）為零，因為本集團於兩個年結日均有淨現金結餘。於二零零三年及二零零四年十二月三十一日，本集團的流動比率（界定為流動資產除流動負債）為6.0倍。於二零零四年十二月三十一日，除於本集團財務報表及有關附註披露者外，本集團並無重大或然負債。憑藉所持有的現金及短期證券，本集團流動資金狀況維持穩健，財務資源充裕，足以應付其承諾及營運資金所需。

資產抵押

本集團若干賬面值為156,100,000港元（二零零三年：141,600,000港元）之永久業權投資物業已抵押予一家銀行。該銀行所授出銀行融資於二零零二年終止，惟有關抵押尚未解除以便日後申請銀行融資。

或然負債

於二零零二年九月十日、二零零二年十月八日及二零零二年十月二十九日，上海自然美三聯化粧品有限公司（「自然美三聯」）及獨立第三方崇明縣三聯投資發展公司（「崇明三聯」）與本集團旗下中國大陸附屬公司（「中國大陸附屬公司」）各自之少數股東（「賣方」）訂立25項買賣協議（「買賣協議」），以收購賣方擁有之中國大陸附屬公司股本權益，並接管中國大陸附屬公司全部管理及經營權。收購已於截至二零零三年十二月三十一日止年度內完成。

根據買賣協議條款，倘崇明三聯未能就收購中國大陸附屬公司股本權益向賣方清付有關款項，自然美三聯承諾，代表崇明三聯清付未償還款項。於二零零四年十二月三十一日，崇明三聯就購買代價結欠少數股東合共約843,000港元（二零零三年：6,123,000港元）。

理財政策及所承受之匯率波動風險

基於本集團業務主要集中於中國大陸及台灣，大部分收益亦來自上述兩地，並分別以人民幣及新台幣計值。於二零零四年十二月三十一日，本集團銀行結存及現金約85.6%（二零零三年：71.6%）以人民幣計值，另約4.3%（二零零三年：2.5%）以新台幣計值，餘下10.1%（二零零三年：25.9%）則以美元、港元及馬來西亞元計值。於外幣風險管理方面，本集團繼續採取穩健政策，定期檢討其所承受之外幣風險，並且於需要時使用金融衍生工具對沖有關風險。



*You can dress
yourself in bought
fame and rented
knowledge. Or
you can invest in
something more
lasting called
inner beauty.*

物欲橫流的年代，
沽名可以釣譽，鮮花
可以染色，
膚淺可以深造的
同時，請用您的氣質
高舉您的旗幟。

Management Discussion & Analysis
管理層討論及分析

Business Review

營運概況

Business Review

營運概況

BUSINESS REVIEW

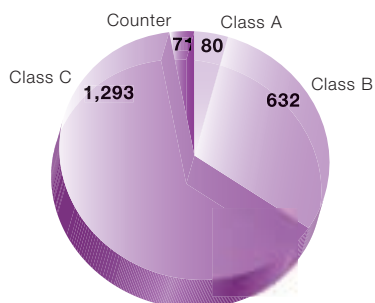
Distribution channels

The Group principally derives income through our unique distribution channels, namely spas and counters in department stores. There are total 2,076 store outlets as at 31 December 2004, of which 2,005 are spas and 71 are counters. All spas can provide hydrotherapy, facial, body care and skin care analysis to our customers and counters in department stores usually provide skin care analysis. The categorization of the spas are mainly by the size of store. The average store sizes for Class A, B and C are 240, 120 and 60 square meters respectively.

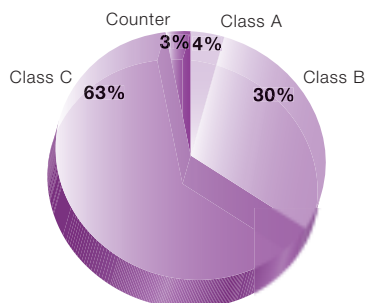
Store Number by Type

As at 31 December 2004	Class A	Class B	Class C	Counter	Total
Taiwan	6	101	445	–	552
PRC	72	531	848	71	1,522
Others	2	–	–	–	2
Total	80	632	1,293	71	2,076

Store Number by Type



Store Number by Type (%)



There are total 1,953 franchisee spas as of 31 December 2004, and 123 spas and counters owned by the Group, of which 93 are self-owned and 30 of them were entrusted to reputable operators.

Franchise spas are owned by franchisees and they are responsible for the capital investment of their spas, and they are obliged to use “Natural Beauty” or “NB” brand of products in their spas.

Self-owned spas are primarily set up to act as a model spa for potential franchisees. Self-owned spas are usually Class-A spas. While there are needs to establish self-owned spas in new markets as model spas, the Group considers it would be more profitable as a whole to allocate resources to stimulate product sales instead of operating our own spas, due to higher overhead costs compared to franchisees. The Group therefore has entrusted and will continue to entrust certain of our spas in explored markets to reputable operators.

Business Review

營運概況

Entrusted spas are owned by the Group and operated by reputable operators. The spas were previously operated by the Group. In order to allocate financial and human resources more efficiently, there were 18 entrustment arrangements as at 31 December 2004, ranging from one to five years, where our self-owned spas were entrusted to reputable operators in the local areas. The operators will be responsible for all the profits and losses of the operations and the Group receives a fixed annual entrustment income from the operators. The Group sells products to the operators with similar terms as to the franchisees.

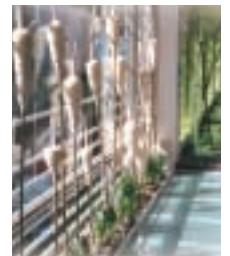
The Group believes the entrustment arrangement will be a win-win situation for both the operators and the Group. Local operators can better serve the specific needs of the local customers, and hence generate more product and service revenues. The Group, on the other hand, can secure a steady annual entrustment income while maintaining the distribution location, and to re-allocate our resources to explore new markets.

Store Number

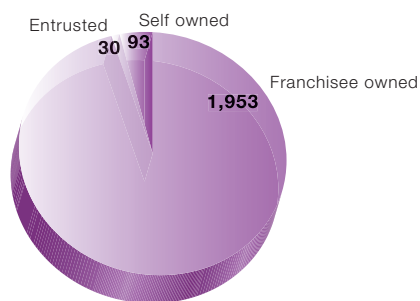
by Ownership

As at 31
December 2004

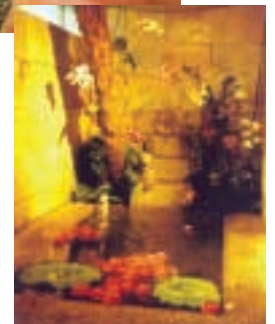
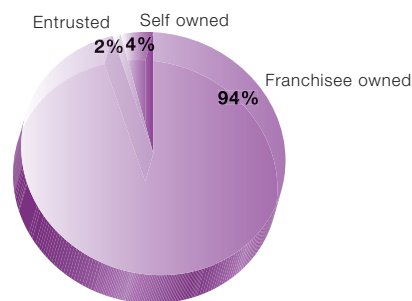
	Franchisee owned	Entrusted	Self owned	Total
Taiwan	543	–	9	552
PRC	1,410	28	84	1,522
Others	–	2	–	2
Total	<u>1,953</u>	<u>30</u>	<u>93</u>	<u>2,076</u>



Store Number by Ownership



Store Number by Ownership (%)



REVAMP BRAND IMAGE

In 2004, we recognized the needs to transform our brand image to be more appealing to our potential client base, typically young office ladies ranging from age 25 to 39, to stay competitive. We deployed a leading global advertising agency to provide full range of advices and services. Toward the end of 2004, we have successfully launched the “YOUTH” campaign for our patent NB-1 anti-aging products using stem cell technology (SCT). Subsequently, we expect to launch our next TVC “BALANCE” for our innovative natural hormone product. Also, in order to keep the dialogue with our investors more effective and open, we hired renowned public relations (PR) and investor relation (IR) professionals to build and maintain close relationships amongst media and investor communities.

Our branding case also won the “Corporate Branding/Reputation Management” category of the Golin Awards in 2004, which is the world wide PR industry award. It honors the most outstanding use of public relations in corporate branding or positioning, resulting in greater awareness, understanding and appreciation of the company or organization among internal and external audiences.

We are currently in the process of implementing shop makeover for existing spas throughout 2005 by incorporating new Corporate Image (“CI”) and Visual Image (“VI”).

Subsequently, we will repackage our product lines. Majority of our customers are using “treatment products” instead of Do It Yourself (“DIY”) products. With the repackaging of our products, it is expected to boost the Group’s DIY product sales from our established treatment product users. DIY products will have different price points from low to high, and will be distributed in hypermarkets, local specialty stores and counters in PRC.

Drawing on better product design, economy of scale on the utilization of the same bottles will also lower our production cost in the long run.

RESEARCH & DEVELOPMENT

In order to maintain its competitive edge, the Group takes research and development seriously with a view to improve the quality of its existing products and develop new products. The Group has been collaborating with researchers and experts on bio technological development and imported European, American, Japanese and Australian natural ingredients to be applied in over 700 NB’s products. The Group’s research and development team comprises 13 members and a number of overseas consultants with expertise in the fields of cosmetics, medical, pharmacy and bio-chemistry. For example, NB has collaborated with Harvard NB Bio-Science LLC in the US, led by Dr. Chen Ji Dai, a leading researcher in the field of human genome and stem cell technology in Harvard Medical School, in the development of anti-aging NB-1 product family. The Group believes that the collaboration of different expertise within the team together with Dr. Tsai’s over 30 years of industry experience

and knowledge can help developing high quality beauty and skin care products. NB principally uses natural ingredients in producing its products and has special formulation to cater the needs for the delicate skin of oriental women.

In developing new products, all NB products are assured to meet all relevant regulations, the research and development team will also take into account the feedback and advice from senior management of the Group. Prototype of new products will be distributed to over thousands of 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 thus ensuring the quality, effectiveness and safety standard of NB's products.

Combining Dr. Tsai's over 30 years of experience in the beauty and skin care industry and together with the strong background of its research and development staff, NB has the competitive advantages in the research and development of beauty and skin care products.

PRODUCTS

Following the successful launch of NB-1, the group rolled out new products within NB-1 family by launching NB-1 Deep Whitening Series. In 2004, there were over 32,000 units sold with a turnover of HK\$42.9 million.

Apart from the NB-1 whitening series, there were other synergistic products such as health supplements and body sculpturing lingerie added to the product line. Total sales for the health supplements and lingerie for the year ended 31 December 2004 were HK\$6.5 million and HK\$7.4 million respectively.

We will continue to enrich our product range in 2005.



INFORMATION TECHNOLOGY

The Group starts to implement Oracle ERP system by to link up the key decision making process throughout the Group's value chain. The ERP system is expected to enhance the Group's information flow, and to enable the generation of more accurate and timely production planning and sales forecast.

In 2004, the implementation of the ERP in Taiwan was completed and the implementation in PRC is expected to be completed in 2005.

In 2004, the Group also launched NB-patented computerized skin and iris health examination system, incorporating more than 30 years of beauty know how by Dr. Tsai, to increase cross-selling opportunity through customized technology. This will enable NB's beauty consultants to leverage the expertise of Dr. Tsai and provide a thorough diagnosis and customized solutions with fully integrated products and services to NB's customers.

HUMAN RESOURCES

As at 31 December 2004, the Group had a total of 1,469 employees, of which 1,279 were based in PRC, 183 in Taiwan and 7 in other areas. Total remuneration for the year ended 31 December 2004 was approximately HK\$53.6 million (2003: HK\$53.4 million), including retirement benefits cost of HK\$5.9 million (2003: HK\$5.6 million). Competitive remuneration packages are maintained to attract, retain and motivate capable staff and are reviewed on a periodical basis.

The Group maintains good employee relations and is committed to employee training and development. Professional training courses are offered to beauticians employed by the Group and its franchisees on a regular basis to promote and maintain the quality and consistency of the services provided. Additional training on service quality, consulting and selling skills, will be provided.

In addition, the Group adopted a share option scheme on 11 March 2002, for the purpose of 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 and any qualified person as set out in the scheme, to subscribe for shares. Up to the date of this document, no share option had been granted under the share option scheme.

CAPITAL EXPENDITURES

The Group's major capital expenditures were related to self-owned spas and machinery in our factories. There were HK\$14.2 million additions to fixed assets in 2004 (2003: HK\$13.8 million).

Franchisees are responsible for the capital expenditures of their spas.

營運概況

分銷渠道

本集團收益主要來自其獨一無二的分銷渠道，分別為水療中心及百貨公司專櫃。於二零零四年十二月三十一日，本集團設有合共2,076間店舖，其中2,005間為水療中心，另外71間則為專櫃。各水療中心均向顧客提供水療、面部及身體護理以及皮膚分析服務，而百貨公司專櫃一般提供皮膚分析。水療中心主要以店舖面積按A、B及C級分類，平均面積分別為240、120及60平方米。

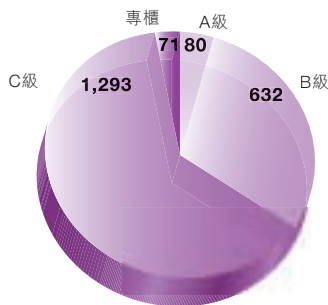
按種類劃分之店舖數目

於二零零四年

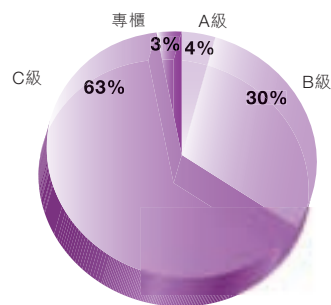
十二月三十一日

	A級	B級	C級	專櫃	總計
台灣	6	101	445	—	552
中國大陸	72	531	848	71	1,522
其他地區	2	—	—	—	2
總計	80	632	1,293	71	2,076

按種類劃分之店舖數目



按種類劃分之店舖數目(%)



於二零零四年十二月三十一日，本集團有合共1,953間水療中心加盟店，另有123間自資經營的水療中心及專櫃，其中93間由本集團擁有，而另外30間則委託優秀經營者經營。

水療中心加盟店由加盟經營者擁有，其須負責水療中心的資本投資，另須於其水療中心使用「自然美」或「NB」品牌產品。

本集團自有水療中心主要為作為潛在加盟經營者的水療中心模範而設立。本集團的自資經營的水療中心一般為A級水療中心。由於本集團需於新市場設立自資經營的水療中心作為水療中心模範，本集團認為，與加盟店相比，自資經營的水療中心的開支較高，加上產品銷售的利潤整體而言較經營水療中心更為豐厚，因此，本集團將會繼續於已開發市場，將若干水療中心委託優秀經營者經營。

Business Review

營運概況

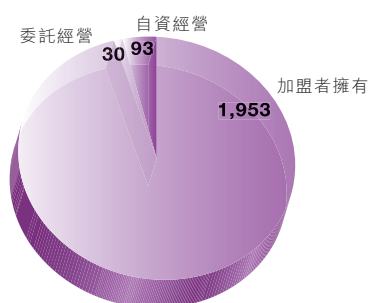
委託經營的水療中心由本集團擁有及由優秀經營者經營，該等水療中心原先由本集團經營。為更有效分配財務及人力資源，於二零零四年十二月三十一日，本集團訂有18份委託安排，經營年期由一至五年不等，部分地區自資經營的水療中心亦已委託優秀經營者經營。經營者將自負盈虧，而本集團則向經營者收取定額委託經營收益。本集團亦向經營者銷售產品，銷售條件跟加盟者相若。

本集團相信，委託安排將為經營者及本集團締造雙贏局面。當地經營者可提供更迎合本地顧客特別需要的服務，亦可帶來更多產品及服務收益。此外，本集團可每年獲取穩定委託經營收益，並可鞏固分銷地點，從而調配資源至開拓新市場。

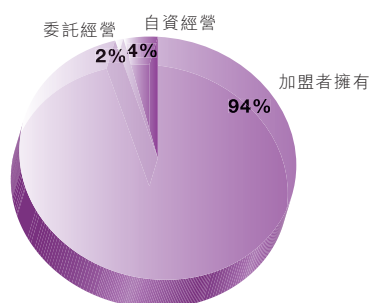
按擁有權劃分店舖數目

於二零零四年 十二月三十一日	加盟者 擁有	委託 經營	自資 經營	總計
台灣	543	—	9	552
中國大陸	1,410	28	84	1,522
其他地區	—	2	—	2
總計	1,953	30	93	2,076

按擁有權劃分之店舖數目



按擁有權劃分之店舖數目(%)



提升品牌形象

於二零零四年，本集團體現到改變品牌形象的需要，提升對潛在客戶群的吸引力，以維持競爭力，本集團目標客戶為年齡介乎25至39歲的年輕辦公室女郎。本集團委聘全球居領導地位的廣告公司，提供全面建議及服務。於二零零四年年底，本集團成功就其採用幹細胞技術的專利NB-1抗衰老產品推行「青春」廣告宣傳。其後，本集團計劃就其創新天然激素產品進行另一輪電視廣告宣傳「均衡」。此外，為保持本集團與投資者更有效及開放的聯繫，本集團聘請知名公共關係及投資者關係專才，建立及維繫與傳媒及投資者間的緊密關係。

於二零零四年，本集團品牌亦榮獲環球公關業獎項Golin Awards的「Corporate Branding/Reputation Management」獎項。該獎項旨在表揚於企業品牌或定位公關工作有出色表現的公司，有助提高公司或組織於行業內外的知名度、認受性及評價。

於二零零五年，本集團積極透過採用全新企業形象及感官，革新現有水療中心。

本集團將重新包裝其產品系列。本集團客戶大部分採用「療程產品」，而非「DIY」產品。產品經重新包裝後，預期將可刺激本集團既有療程產品客戶的DIY產品銷售。DIY產品價錢豐儉由人，將於中國百貨廣場、本地專門店及銷售專櫃分銷。

憑藉更佳產品設計，劃一使用相同容器以取得規模經濟效益長遠亦有助降低生產成本。

研究及開發

為保持競爭優勢，本集團高度重視研究及開發，以改善其現有產品質素及開發新產品。本集團與生物技術開發研究人員及專家合作，並於逾700種NB產品中應用從歐洲、美國、日本及澳洲進口的天然成分。本集團研究及開發隊伍由13名成員及多名於化粧品、醫學、藥劑及生物化學方面具備專業知識的專家組成，例如自然美就開發抗衰老NB-1產品系列與美國Harvard NB Bio-Science LLC合作，該公司由Harvard Medical School人類基因及幹細胞科技頂尖研究員陳基岱博士領導。本集團相信，與隊伍內不同專家合作，加上蔡博士於業內積逾30年的經驗及知識，有助開發優質美容及護膚產品。NB產品主要使用天然成分，並採用特別配方，迎合東方女性嬌嫩肌膚的需要。

於開發所有NB系列新產品時，均以符合所有有關法例為首要條件，研究及開發隊伍亦會考慮本集團高級管理人員的回應及意見，新產品的樣本將分發給過千名經過甄選的高級美容專業人士。於全面推出產品前，產品或需按照測試結果進行調整或修正，確保NB產品質素、功效及安全標準。



憑藉蔡博士於美容及護膚業超過30年的經驗，加上研究及開發人員的雄厚背景，本集團於研究及開發美容及護膚產品方面具備競爭優勢。

產品

成功推出NB-1後，本集團推出NB-1系列新產品－NB-1深層美白系列。於二零零四年，本集團售出超過32,000件產品，帶來營業額42,900,000港元。

除NB-1美白系列外，本集團之生產線亦增添保健產品及修身內衣等其他輔助產品。截至二零零四年十二月三十一日止年度，保健產品及修身內衣總銷售額分別為6,500,000港元及7,400,000港元。

於二零零五年，本集團將繼續推出其他產品系列。

資訊科技

本集團推行甲骨文企業資源規劃系統，以聯繫本集團價值鏈主要決策程序。企業資源規劃系統預期將可提升本集團資訊交流，從而迅速作出更準確生產計劃及銷售預測。

台灣的企業資源規劃系統已於二零零四年完成，而中國預期將於二零零五年完成。

於二零零四年，本集團另推出NB專利電腦化皮膚及虹膜健康測試系統，加上蔡博士擁有逾30年美容專業知識，將可憑藉經特別設計的技術增加相互銷售機會。本集團的美容顧問可利用蔡博士的專業知識及全面產品及服務，向客戶提供透徹分析及度身訂造服務。

人力資源

於二零零四年十二月三十一日，本集團合共聘有1,469名僱員，其中1,279名派駐中國大陸，而台灣有183名，其他地區則有7名。截至二零零四年十二月三十一日止年度，總酬金開支約為53,600,000港元（二零零三年：53,400,000港元），其中包括退休福利成本5,900,000港元（二零零三年：5,600,000港元）。為吸引、留聘及鼓勵表現卓越的僱員，本集團保持具競爭力的酬金組合，並作出定期檢討。

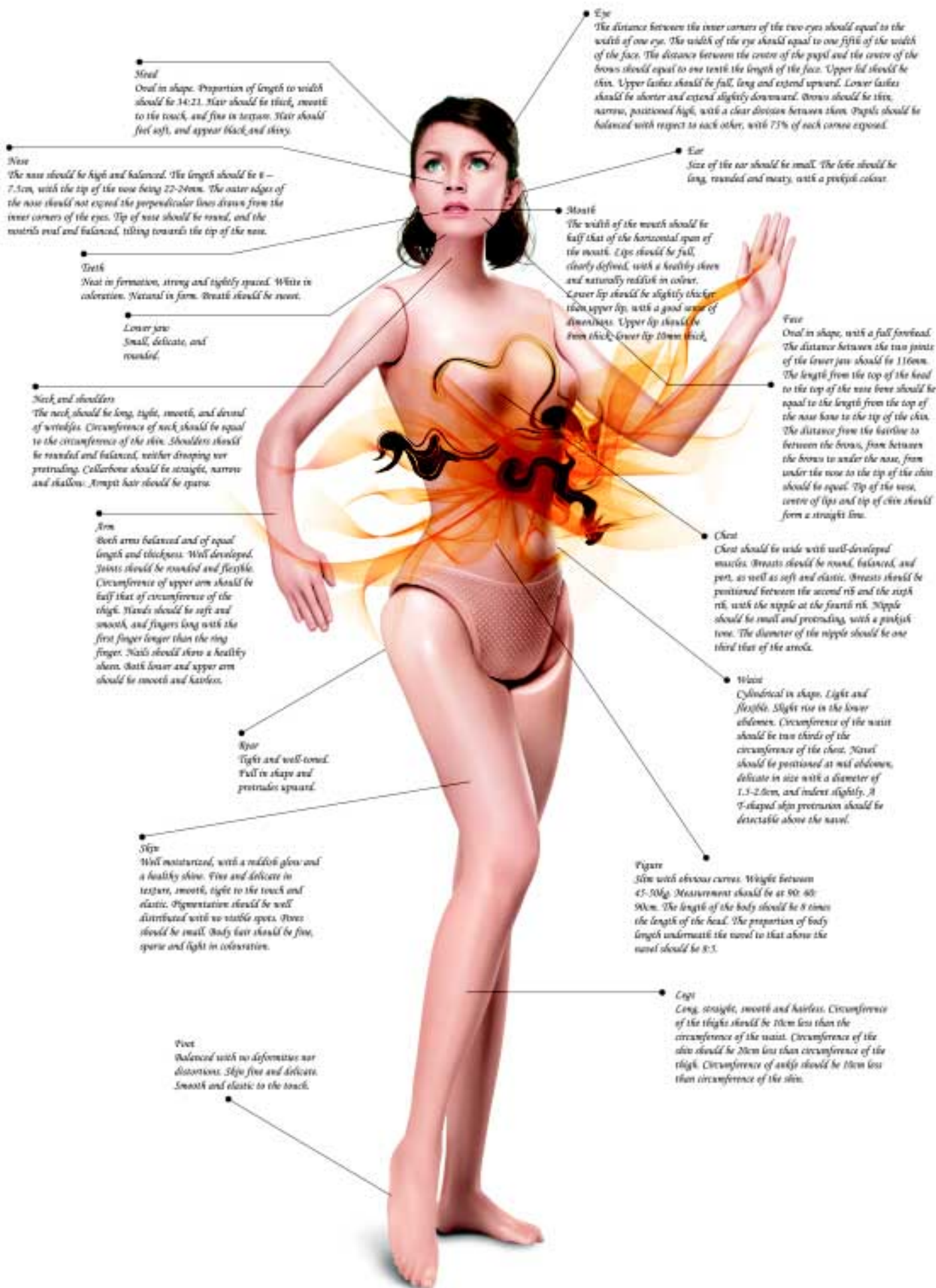
本集團與僱員一向維持良好合作關係，並且著重員工的培訓及發展，定期為集團聘用的美容師及加盟經營者提供專業培訓課程，以提升及保證與劃一服務水平之質量。本集團亦將提供服務質素、諮詢及銷售技巧方面的額外培訓。

此外，本集團已於二零零二年三月十一日採納購股權計劃，旨在回饋及激勵對本集團業務成就有所貢獻的合資格參與人士。董事可酌情邀請本集團任何僱員或董事及該計劃所載的任何合資格人士認購股份。截至本文件日期止，本集團並無根據購股權計劃授出任何購股權。

資本開支

本集團主要資本開支與自資經營的水療中心及本集團廠房內機器相關。於二零零四年，添置固定資產達14,200,000港元（二零零三年：13,800,000港元）。

加盟經營者須承擔其水療中心的資本開支。



Management Discussion & Analysis
管理層討論及分析

Prospects

展望

PROSPECTS

Natural Beauty is already the largest beauty & spa product provider in Greater China. Our vision is to be a leading global beauty & spa products and services provider.

Looking ahead, we will continue to maintain our leading position in Taiwan spa market and we will focus in the PRC, to capture this fast expanding market. We have defined plans for expansion and also plans to maximize our revenues and profitability.

Measures to improve same store sales:

- Revamp corporate and shop front visual image to attract new customers
- Re-engineering of packaging to stimulate DIY products sales
- Introduction of body slimming and breast enlargement health supplements, etc.

Plan for expansion of franchise network:

- To increase 350 stores in 2005 by attracting new franchisees as well as encouraging existing stores to set up second spa by giving discount incentives on products.

New revenue sources:

- One-time new franchise fee is charged at RMB100,000, RMB60,000 and RMB40,000 for tier 1, 2 and 3 cities* respectively in PRC
- Promotion and training fee to be introduced from 2006

New Products:

- New products within the NB-1 Family using stem-cell technology (SCT)
- Body-slimming underwear
- New health supplements
- Bio-tech XXS body – slimming and A2D breast enlargement products

* Tier 1 cities: Beijing, Shanghai, Guangzhou and Shenzhen
Tier 2 cities: Chengdu, Tianjin, Jiangsu, Guangdong Province and Other Provinces
Tier 3 cities: Others

Prospects 展望

Operating efficiency and cost-down strategies:

- Logistics collaborating with China Post: improving delivery time from 2~3 weeks to 2~3 days
- Product repackaging: reducing bottle types from more than 200 to only 24
- Set up franchisee expert team and headquarter call centers to enhance communication, thus better sales

With the relentless pursuit of excellence, we are confident that we will be able to realize our strategies and to meet our objective to become the leading beauty products and spa services provider in Greater China.



展望

自然美躋身大中華區最大規模美容及水療產品供應商行列，目標成為全球居領導地位的美容及水療產品及服務供應商。

展望將來，本集團將繼續保持台灣水療市場的領導地位，同時將專注於中國市場，以抓緊此發展蓬勃市場的發展商機。本集團已訂定明確擴展計劃，亦計劃盡量提升收益及盈利能力。

改善專門店銷售額措施：

- 提升公司及店舖店面裝潢，吸引顧客
- 重新包裝產品，刺激DIY產品銷售
- 引入纖體、豐胸及保健等產品

擴展加盟店網絡計劃：

- 於二零零五年，藉吸引新加盟經營者及透過給予產品折扣鼓勵現有專門店設立分店，增設350間專門店。

新收入來源：

- 就中國大陸第一、二及三級城市*分別收取一次性新加盟費用人民幣100,000元、人民幣60,000元及人民幣40,000元
- 將於二零零六年收取宣傳及培訓費用

新產品：

- 採用幹細胞技術的NB-1系列新產品
- 矯型內衣
- 新保健產品
- 生物技術加細碼身段－修身及A2D豐胸產品

經營效率及減省成本策略：

- 就物流工作與China Post合作：付運時間由2至3個星期改善至2至3天
- 重新包裝產品：容器種類由超過200款減至24款
- 設立加盟專業隊伍及總部熱線中心，提高通訊效率，繼而增加銷售

本集團力臻完美，並深信將可實現其策略，達致保持大中華區主要美容產品及水療服務供應商的目標。

* 第一級城市：北京、上海、廣州及深圳
第二級城市：成都、天津、江蘇、廣東省及其他省份
第三級城市：其他城市

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Management Profile and Community Services

管理層履歷
與社區服務



Dr. Tsai Yen Yu

Executive Director: Dr. Tsai Yen Yu (alias Tsai Yen Pin) (“Dr. Tsai”)

Aged 58, is the founder and the Chairman of the Group. Dr. Tsai founded the Group in 1972 and is responsible for the Group's overall management, strategic planning and development, and formulation of company policies and business strategy. Dr. Tsai is a renowned professional beauty expert in Taiwan as well as in the PRC and has been engaged in the beauty and skin care industry over 30 years. In these years, Dr. Tsai has been awarded numerous honours, positions and prizes including:

- ▶ Top 20 most influential businesswomen in Taiwan
- ▶ Honorary Doctor of Commerce, Dewey University, the United States of America (the “US”)
- ▶ Outstanding Entrepreneurs of Taiwan awarded by Taiwan Women's Business Association
- ▶ Chairwoman of Industrial Cooperation Program in Tamkang University, Taiwan
- ▶ Chairwoman of Taiwan Beautician Association, Sessions VI
- ▶ Vice Chairwoman of Taiwan Golden Trademark Association, Session II
- ▶ Principal supervisor of Taiwan Intellectual Property Protection Association
- ▶ Principal consultant in National Beauty Parlor Association of the PRC
- ▶ Honorary Principal of Chungming High School in the PRC
- ▶ “Bai Yu Lan” Award by the Shanghai City Government

Executive Director: Lee Ming Ta (alias Lee Ming Tah)

Aged 58, the husband of Dr. Tsai, is an executive director of the Group and is responsible for the general administration and internal management of the Group. Prior to joining the Group in 1993, Mr. Lee had worked for various financial institutions at senior management level for over 10 years in corporate management and staff training. Mr. Lee graduated in Fengchia University in Taiwan with a bachelor degree in Banking and Insurance.

Executive Director: Su Chien Cheng

Aged 33, the son of Dr. Tsai, is an executive director of the Group and Vice President of Natural Beauty Cosmetics Company Limited ("NB Taiwan"). He is responsible for the financial management and sales and marketing of the Group. Mr. Su graduated from the University of Westminster with a master degree of business administration and is also a doctorate candidate of the Shanghai University of Finance and Economics of the PRC. He joined the Group in 1999.

Executive Director: Su Sh Hsyu

Aged 31, the daughter of Dr. Tsai, is the Managing Director & CEO, China. Furthermore, she has been appointed as an Executive Director of the Group since September 21, 2004. She is responsible for managing the business and overseeing the operation in the PRC. She advises the Group in various aspects including i) strategic planning and development, ii) project management involving in the full process from development to roll-out of products and services, iii) exploring new distribution channels and advising on the enhancement of the existing ones and iv) identifying potential strategic partner and involving in the negotiation of partnership. Dr. Su graduated from the London School of Economics with a master of science degree in industrial relations, personnel management and human resources management and obtained her PhD in International & Comparative Education, Columbia University in New York, US. Dr. Su had been actively engaged in the marketing and business development of the Group in Taiwan and the PRC during the period from 1998 and 2000.

Independent Non-executive Director: Yeh Liang Fei

Aged 73, worked in the police force of Taiwan for more than 40 years. Mr. Yeh held senior positions in several police bureaus in Taiwan. After his retirement from the police force, Mr. Yeh was appointed the honorary President of Ta Feng Securities Co., Ltd. in Taiwan. He is very experienced in administration and human resources management in large organisations. Mr. Yeh graduated from Central Police Officer College of Taiwan. He was appointed as the Company's independent non-executive director in March 2002.

Independent Non-executive Director: Chen Shieh Shu Chen

Aged 50, is a director of Taipei Australia International Investment Pty. Ltd., a company engaged in real estate development in Australia. Mrs. Chen is also a director of Ho Yin Garments Manufacturing Co., Ltd. in Taiwan. She has been a director of Taipei Australia International Investment Pty. Ltd. for over 10 years and is experienced in property investment, general management and global trading. Mrs. Chen graduated from Soochow University of Taiwan with a bachelor degree of Arts in History. She was appointed as the Company's independent non-executive director in March 2002.

Independent Non-executive Director: Chen Ching

Chen Ching, Independent Non-Executive Director of the Group, is the Managing Partner of Dinkum & Co, CPAs in Taiwan and has over 14 years of experience in accounting. He was a part-time lecturer of the Accounting Information Department in Takming College from 2000 to 2001 and Accounting Department in Chung Kuo Institute of Technology from 2001 to 2002, respectively, both of which are tertiary academic institutions in Taiwan. Mr. Chen is an Independent Director of Yufo Electronics Corporation, a company listed on the GreTai Securities Market (Over-The-Counter Market) in Taiwan. Mr. Chen graduated from the National Cheng-Chi University with a master of science degree in accounting and is a member of Certified Public Accountants Association of Taiwan.

Senior Management: Lee Yung Chiu

Aged 64, is the general manager of NB Shanghai and is responsible for the Group's operations, business planning, human resources and the business operations of dedicated counters in the PRC. Mr. Lee graduated from Taiwan Nat, Taiwan University with a bachelor degree of Foreign Language and Literature. Mr. Lee is highly experienced and has over 40 years of experience in the beauty and cosmetics sector in the Greater China Region. Prior to joining the Group in 2002, he was the Chief Executive Officer of Taiwan Shiseido Cosmetics Corp. Ltd. and has held key positions in various organisations including the director of Taiwan Area Cosmetics and Toiletries Association, director of Republic of China Consumer Association and manager of Taiwan Cosmetics and Underwear One Price Friendship Association.

Senior Management: Lin Fu Shui

Aged 55, is the Chief Executive Officer of NB Taiwan and is responsible for the Group's operations, business planning and human resources in Taiwan. Mr. Lin holds a bachelor's degree in Economics from Tunghai University of Taiwan and has over 30 years of experience in corporate management in Taiwan. Prior to joining the Group in 2002, Mr. Lin has served senior management positions in various enterprises, including Family Mart Co. Ltd. and Pao Long International Co. Ltd..

Senior Management: Yan Yi Ling

Aged 44, is the Head of accounting and finance for NB Shanghai and is responsible for the financial management and accounting function of the Group's PRC operation. Ms. Yan holds a master degree in Statistics from West Virginia University in the US. Prior to joining the Group in 2000, Ms. Yan worked in various commercial bank holding management position and has over 10 years of working experience in internal control and business administration.

Senior Management: Lin Hin Ju

Aged 43, is the head of Sales for NB Taiwan and is responsible for the planning, development and operation of the franchise programme in Taiwan, the supervision of the dedicated counters sales activities, marketing and promotional activities in Taiwan. Ms. Lin holds a Diploma in Apparel Design from Shih Chien University of Taiwan and has studied Business Management in Tamkang University of Taiwan and Linguistic Science in Michigan State University. Prior to joining the Group in 1993, Mr. Lin worked in a German cosmetics group and The Body Shop Taiwan.

Senior Management: Wang Pang Chi

Aged 52, is the Head of administrative division for the Group and is responsible for daily overall administration and operation of the Group. Mr. Wang studied banking management in a business college at Tamsui in Taiwan and has accumulated many years of experience in corporate management. Mr. Wang joined the Group in 1981.

Senior Management: Fong Chiu Hsia

Aged 50, is the head of accounting and finance for NB Taiwan and is responsible for the financial management and accounting function of the Group's Taiwan Business. Prior to joining the Group in 1980, Ms. Feng worked in an international accounting firm and has served management positions in a number of corporations in the region and has over 30 years of experience in accounting, finance and auditing.

Senior Management: Chan Yan Kwan, Andy

Aged 36, is the Financial Controller and Company Secretary of the Group. Mr. Chan is responsible for the financial planning and monitoring. He graduated from the University of Hull in the UK with a bachelor's degree in economics (economics and accounting) in 1992. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in July 2004, Mr. Chan worked in an international accounting firm and had served senior financial positions in a NASDAQ listed company and a renowned German exhibition company.

執行董事：蔡燕玉博士（又名蔡燕萍）（「蔡博士」）

58歲，本集團創辦人兼主席。蔡博士於一九七二年創辦本集團，負責本集團的整體管理、策略規劃及發展、制定公司政策及業務策略。蔡博士在台灣及中國大陸為享負盛名的專業美容專家，並在美容及護膚業內擁有超過30年經驗。近年，蔡博士榮獲多項榮譽、職銜及獎項，包括：

- ▶ 台灣20個最有影響力的女企業家
- ▶ 美利堅合眾國（「美國」）杜威大學商學榮譽博士
- ▶ 台灣傑出工商婦女
- ▶ 台灣淡江大學建教管理研究班班主任
- ▶ 台灣儀容美協會第六屆理事長
- ▶ 台灣金商標協進會第二屆副會長
- ▶ 台灣智慧財產權保護協會監事長
- ▶ 中國大陸工商聯美容工會首席顧問
- ▶ 中國大陸崇明中學榮譽校長
- ▶ 上海市政府頒授的「白玉蘭獎」殊榮

執行董事：李明達

58歲，蔡博士的丈夫，本集團執行董事，負責本集團的行政及內部管理。於一九九三年加入本集團前，李先生曾於多間財務機構任職高級管理職務，於企業管理及員工培訓工作方面擁有超過10年經驗。李先生畢業於台灣逢甲大學，擁有銀行及保險學學士學位。

執行董事：蘇建誠

33歲，蔡博士的兒子，本集團執行董事兼為自然美化粧品股份有限公司（「自然美台灣」）之副總裁，負責本集團的財務管理與銷售及市場推廣工作。蘇先生畢業於英國西敏寺大學，擁有工商管理碩士學位，並為中國大陸上海財經大學的博士研究生，於一九九九年加入本集團。

執行董事：蘇詩琇

31歲，蔡博士的女兒，中國地區董事總經理兼行政總裁。此外，彼於二零零四年九月二十一日獲委任為本集團執行董事。彼負責管理中國之業務及監督其營運。彼於多個範疇為本集團提供意見，包括i)策略規劃；ii)涉及由發展以至推出產品及服務整個程序之項目管理；iii)開拓新分銷渠道及就提升現有渠道提供意見；及iv)物色潛在策略夥伴及參與磋商合夥。蘇博士畢業於英國倫敦政治經濟學院，擁有工業與人事管理及人力資源的關係管理碩士學位，並獲美國紐約哥倫比亞大學頒授國際及比較教育博士學位。蘇博士由一九九八年至二零零零年期間已積極參與本集團在台灣及中國大陸的市場推廣及業務發展。

獨立非執行董事：葉良輝

73歲，曾服務台灣警隊逾40年。葉先生曾於台灣擔任多個警察局高級職位，並於警隊榮休後，獲委任為台灣大豐證券的榮譽董事，於大型機構行政及人力資源管理工作方面積逾豐富經驗。葉先生畢業於台灣中央警官學校，於二零零二年三月獲委任為本公司獨立非執行董事。

獨立非執行董事：陳謝淑珍

50歲，為一家從事澳洲房地產發展公司台澳國際投資有限公司的董事，亦是台灣合胤製市廠有限公司董事，並在台澳國際投資有限公司擔任董事職務超過10年，在物業投資、一般管理及全球貿易工作方面經驗豐富。陳太畢業於台灣東吳大學，擁有文學士學位，主修歷史。陳太於二零零二年三月獲委任為本公司獨立非執行董事。

獨立非執行董事：湛清

湛清，本集團獨立非執行董事，為台灣鼎信聯合會計師事務所主管合夥人，從事會計工作逾14年。彼曾於二零零零年至二零零一年期間擔任德明技術學院的會計資訊科兼任講師，亦於二零零一年至二零零二年期間擔任中國工商技術學院會計科兼任講師，上述兩間學院均為台灣之專上學院。湛先生亦為育富電子股份有限公司（為一間在台灣證券櫃檯買賣中心上櫃之公司）之獨立董事。湛先生畢業於國立政治大學並取得會計碩士學位。彼為台灣會計師公會會員。

高級管理層：李榮秋

64歲，自然美上海總經理，負責本集團統籌運作、業務規劃、人力資源及統籌中國大陸專櫃業務等工作。李先生於台灣國立之台灣大學畢業，取得外文系及文學學士學位。李先生在大中華地區之美容及彩粧銷售業務方面積逾40年經驗。李先生於二零零二年加入本集團前，曾在台灣資生堂股份有限公司任職高層管理人員，並於多個組織擔任相關公職服務，包括台灣區化粧品洗滌公會理事、台灣消費者協會理事及台灣化粧品，內衣不二價聯誼會總幹事等等。

高級管理層：林福水

55歲，台灣自然美首席執行官，負責台灣之集團統籌運作、業務規劃及人力資源等職務。林先生於台灣東海大學畢業，取得經濟學學士學位。林先生在台灣地區企業管理積逾30年經驗，於二零零二年加入本集團前，林先生曾於福客多商店股份有限公司及寶隆國際股份有限公司擔任高級主管。

高級管理層：顏逸翎

44歲，自然美上海會計及財務主管，負責本集團在中國大陸業務的財務管理及會計工作。顏女士擁有美國西維珍尼亞大學統計學系碩士學位。於二零零零年加入本集團前，顏女士曾於多間商業銀行擔任管理職位，並在內部管理及業務行政工作方面積逾10年工作經驗。

高級管理層：林敏如

43歲，台灣自然美銷售主管，負責規劃、拓展及經營台灣加盟業務，督導專櫃銷售業務、台灣之促銷及推廣活動等工作。林女士於台灣實踐大學畢業，取得服裝設計文憑，並在台灣淡江大學及美國密西根州立大學分別進修企業管理及語言。林女士於一九九三年加入本集團前，曾於一家德資化粧品集團及The Body Shop Taiwan工作。

高級管理層：王邦畿

52歲，本集團行政主管，負責本集團日常整體行政及運作。王先生於台灣一間商科學校淡水工商管理專科學校學習，主修銀行管理，在企業管理工作方面積累多年經驗。王先生於一九八一年加入本集團。

高級管理層：封秋霞

50歲，台灣自然美會計及財務主管，負責本集團台灣業務之財務管理及會計工作。封女士於一九八零年加入本集團前，曾於一間國際會計師事務所工作，並於區內數間企業擔任管理職位。彼於會計、財務及審計積逾30年經驗。

高級管理層：陳仁君

36歲，本集團財務總監兼公司秘書，負責財務計劃及監督。彼於一九九二年畢業於英國University of Hull，持有經濟學士學位（經濟及會計學）。彼為香港會計師公會會員及英國公認會計師公會資深會員。於二零零四年七月加入本集團前，陳先生曾任職一家國際會計師行，亦曾於一家納斯達克上市公司及一家著名德國展覽公司擔任高級財務職位。

SUMMARY OF COMMUNITY SERVICES

Believing in the principle of serving the society with what you get from the society, Dr. Tsai Yen Pin, the founder of the Group, has put every resource of the Company in many charity activities in response to the call from the government, such as its donation of RMB1,000,000 to the Shanghai Charity Foundation for the setting up of charity funds; donation of RMB200,000 to 中華健康快車基金會 for the provision of free surgery treatment to the poor cataract patients; donation of RMB2,600,000 to China Children and Teenagers' Fund for putting emphasis on the issue of safe and healthy growth of the Chinese children; donation of around RMB2,000,000 for the scholarship for poor outstanding students, rewarding scheme for brilliant teachers, construction of libraries for pivotal schools, construction of the School of Hope; donation of money and resources for the rescue of Hubei Flooding, totaling approximately RMB1,000,000; donation of NT\$2,000,000 to help the recovery of Yunnan earthquake; donation of RMB2,000,000 for Spring Festival Party of Political Consultative Members; support to the government's reemployment programme and the Labour Bureau for broadcasting of the “激情創業” programme on the China Central Television; facilitating business startup of nationwide venture winners selected by the Labour Bureau and subsidising them with RMB100,000 venture capital fund each week, totaling RMB5,200,000 per year as well as the production spending of RMB13,500,000. Dr. Tsai also invested to expand the chain of Natural Beauty in a rapid pace in order to make more people to start up their own businesses or create employment opportunities. Moreover, Dr. Tsai also donated more than RMB1,000,000 in terms of resources to fight against SARS and participated in numerous charity activities. Since 1992, Dr. Tsai has donated more than RMB30,000,000.

社區服務概要

自然美創辦人蔡燕萍博士本著取之社會用之社會的原則，響應政府的號召，盡公司所能，做了大量的公益善事，如：出資人民幣100萬元在上海慈善基金會設立慈善基金；捐贈中華健康快車基金會20萬元，為貧困的白內障患者免費手術治療；捐贈中國兒童少年基金會260萬元，關注中國兒童安全健康成長的問題；捐助貧困優良學子獎學金、獎勵優秀教師、為重點學校建造圖書館、援建希望學校約200萬元；捐款捐物贊助湖北洪水約100萬元、雲南地震賑災濟難又捐款台幣200萬元；捐贈春節政協聯歡會200萬元；支持政府再就業工程與國家勞動部中央電視臺制播《激情創業》欄目，共同扶植全國各地勞動局選送的創業優勝者並為其每周提供創業基金10萬元，一年共捐520萬元，花費製作費用1350萬元；不惜投資迅速擴大自然美加盟連鎖體系，讓更多人創業、就業；抗擊非典時又捐100多萬元物資獻愛心及其它公益善事數不勝數，自1992年至今捐贈總額超過3000萬元。



