

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.

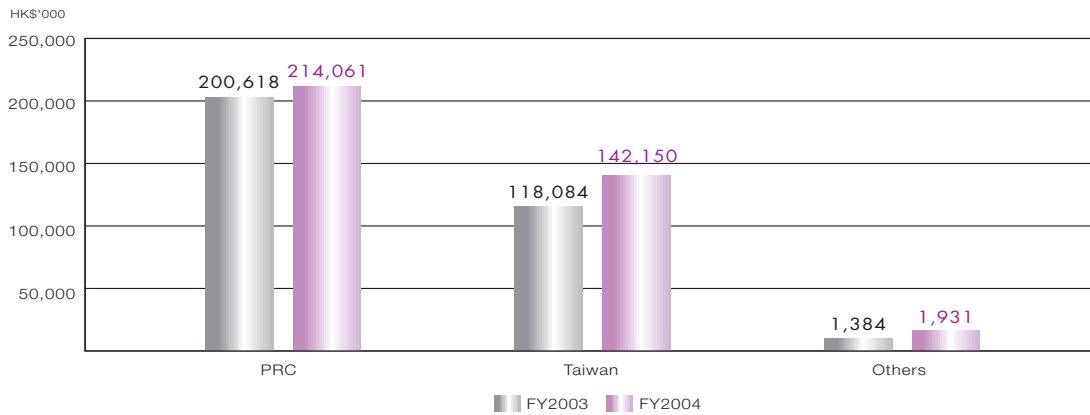
Other markets includes Hong Kong and Malaysia, there are 2 stores in Hong Kong as at 31 December 2004. The operations of these regions remain immaterial and account for less than 1% of total turnover to the Group.

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	<u>358,142</u>	<u>100.0%</u>	<u>320,086</u>	<u>100.0%</u>	<u>38,056</u>	<u>11.9%</u>

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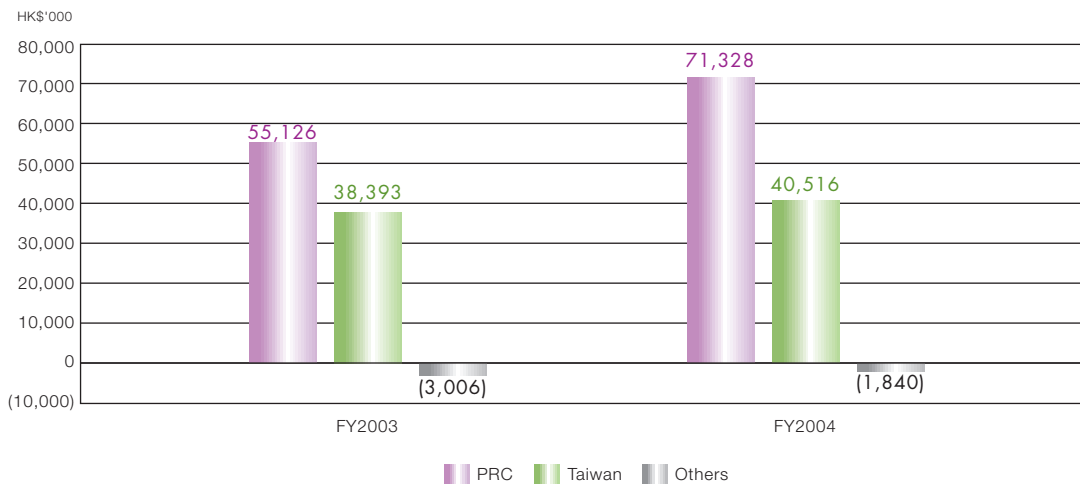
## Turnover by geographical region



## 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%
<b>Total</b>	<b>99,395</b>	<b>100.0%</b>	<b>83,531</b>	<b>100.0%</b>	<b>15,864</b>	<b>19.0%</b>

## Operating profits by geographical region



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### 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.

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## 財務概況

### ENTRUSTMENT INCOME

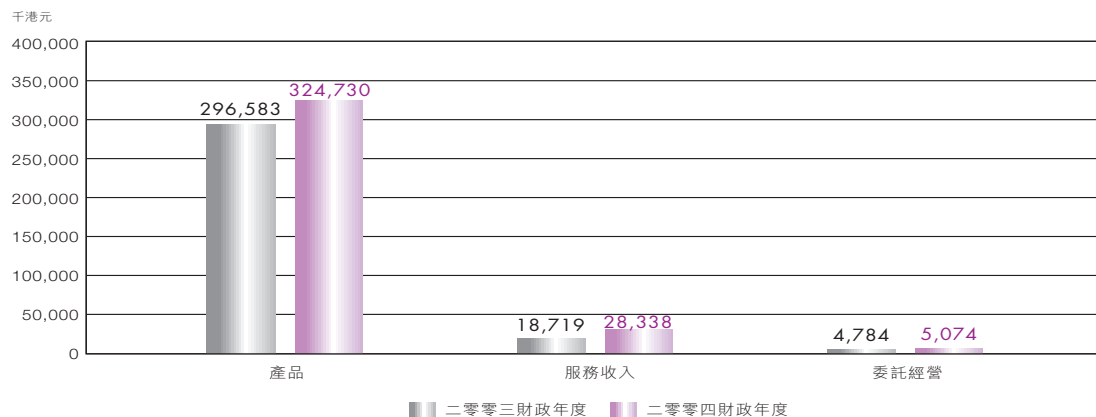
In order to allocate our financial and human resources more efficiently, the Group had 18 entrustment arrangements as at 31 December 2004, ranging from one to five years, where our self-owned spas were entrusted to reputable operators in the local areas. The operators will be responsible for all the 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%
<b>Total</b>	<b>358,142</b>	<b>100.0%</b>	<b>320,086</b>	<b>100.0%</b>	<b>38,056</b>	<b>11.9%</b>

### 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%。

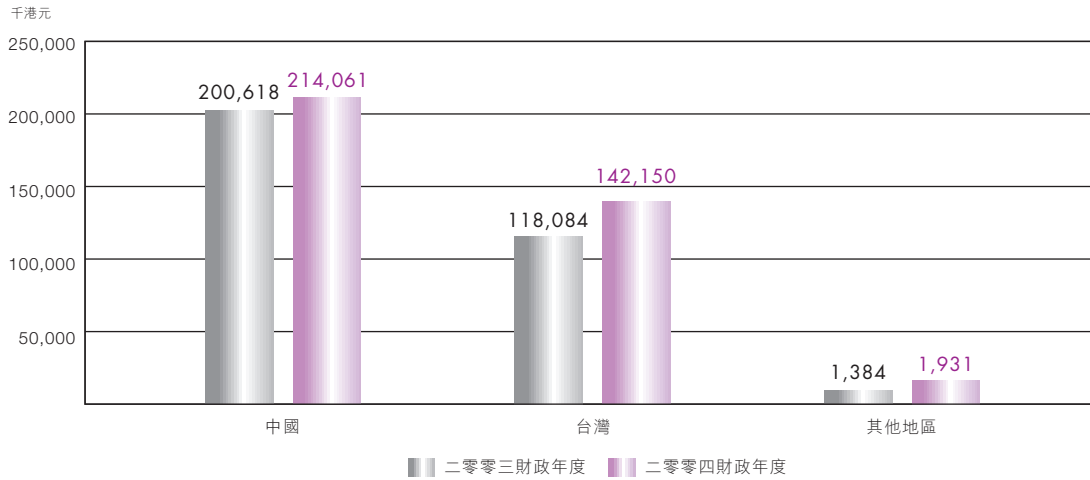
按地區劃分之營業額	二零零四年		二零零三年		變動	
	千港元	%	千港元	%	千港元	%
中國大陸	214,061	59.8%	200,618	62.7%	13,443	6.7%
台灣	142,150	39.7%	118,084	36.9%	24,066	20.4%
其他地區	1,931	0.5%	1,384	0.4%	547	39.5%
總計	358,142	100.0%	320,086	100.0%	38,056	11.9%



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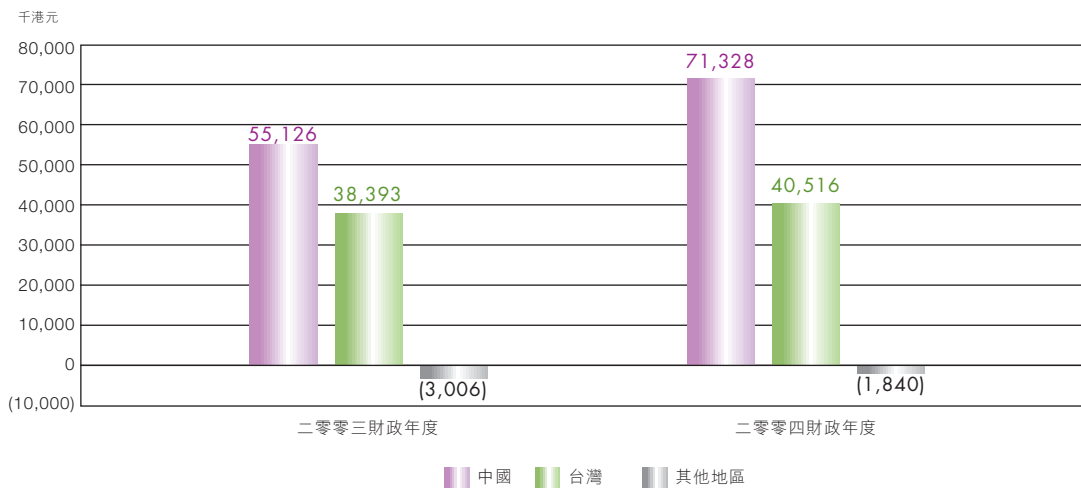
## 財務概況

### 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%
<b>總計</b>	<b>99,395</b>	<b>100.0%</b>	<b>83,531</b>	<b>100.0%</b>	<b>15,864</b>	<b>19.0%</b>

### 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	<b>2,207.5</b>	2,317.5	<b>161,000</b>	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。

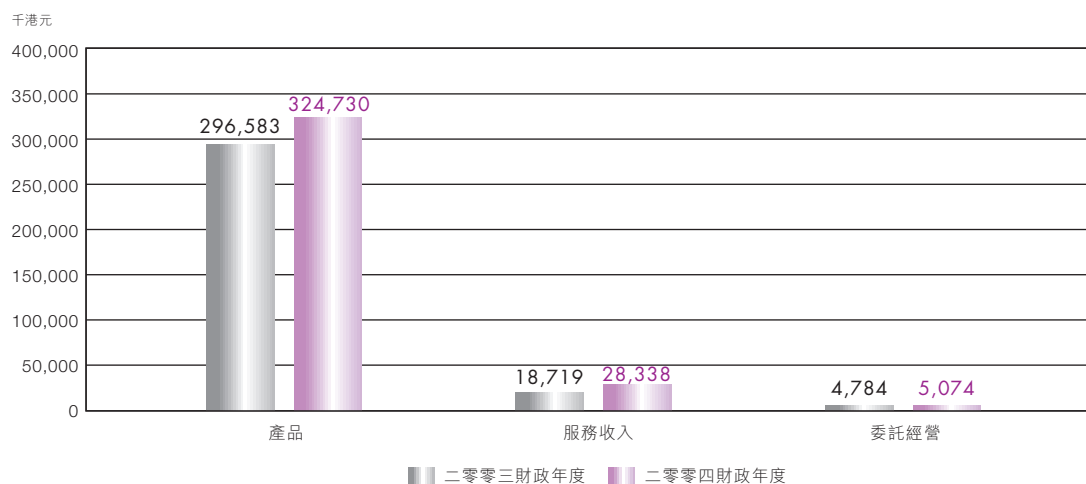
# Financial Review

## 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%
<b>總計</b>	<b>358,142</b>	<b>100.0%</b>	<b>320,086</b>	<b>100.0%</b>	<b>38,056</b>	<b>11.9%</b>

### 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建,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.



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

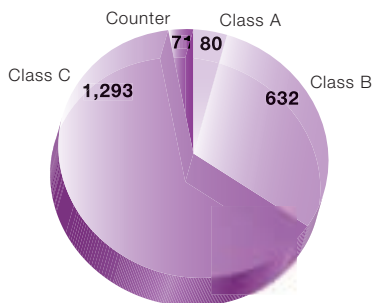
### Distribution channels

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.

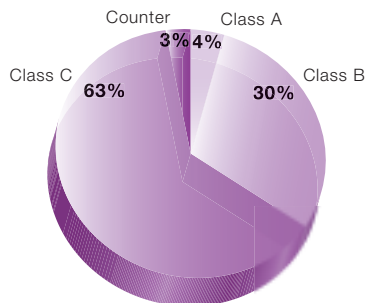
### Store Number by Type

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
<b>Total</b>	<b>80</b>	<b>632</b>	<b>1,293</b>	<b>71</b>	<b>2,076</b>

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.

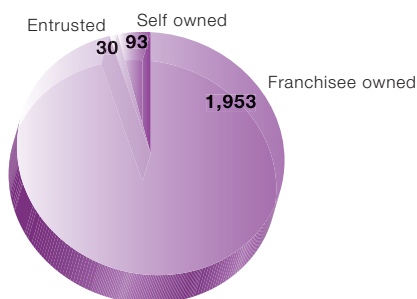
The Group believes the entrustment arrangement will be a win-win situation for both the operators and the Group. Local operators can better serve the specific needs of the local customers, and hence generate more product and service revenues. The Group, on the other hand, can secure a steady annual entrustment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

### Store Number by Ownership

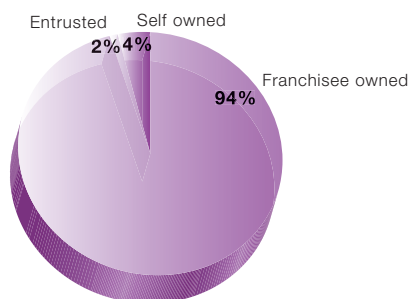
As at 31 December 2004	Franchisee owned	Entrusted	Self owned	Total
Taiwan	543	–	9	552
PRC	1,410	28	84	1,522
Others	–	2	–	2
<b>Total</b>	<b>1,953</b>	<b>30</b>	<b>93</b>	<b>2,076</b>



### 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 through 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。

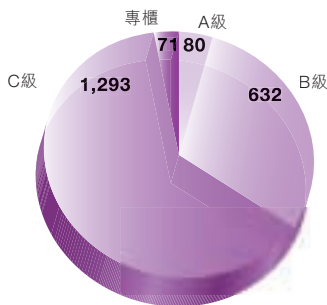
#### 按種類劃分之店舖數目

於二零零四年

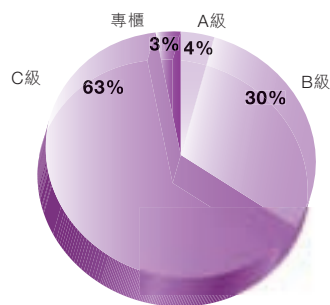
十二月三十一日

	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

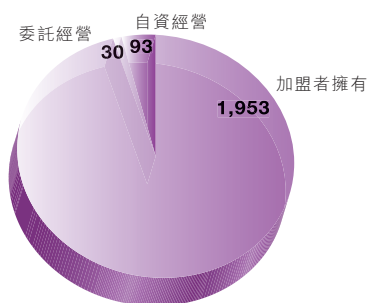
委託經營的水療中心由本集團擁有及由優秀經營者經營，該等水療中心原先由本集團經營。為更有效分配財務及人力資源，於二零零四年十二月三十一日，本集團訂有18份委託安排，經營年期由一至五年不等，部分地區自資經營的水療中心亦已委託優秀經營者經營。經營者將自負盈虧，而本集團則向經營者收取定額委託經營收益。本集團亦向經營者銷售產品，銷售條件跟加盟者相若。

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。

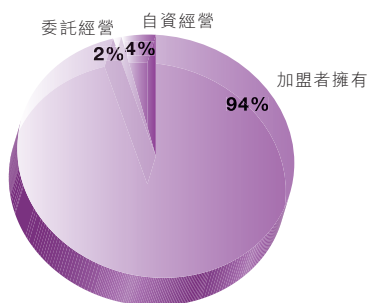
### 按擁有權劃分店舖數目

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。

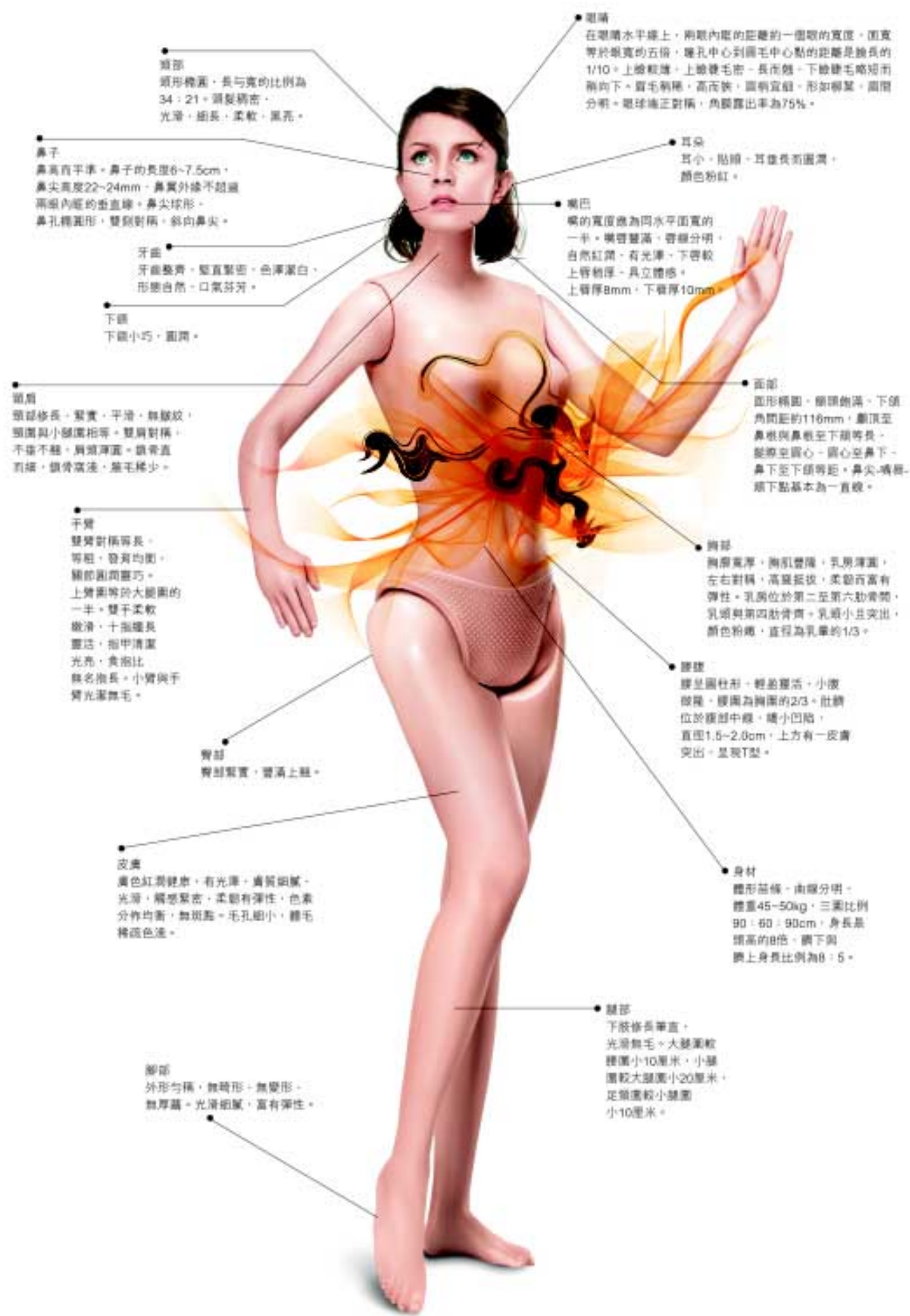
### 資本開支

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。







**眼部**  
 眼形橢圓，長與寬的比例為34:21。頭髮稠密，光澤，細長，柔軟，黑亮。

**眼睛**  
 在眼睛水平線上，兩眼內眶的距離約一個眼的寬度，面寬等於眼寬的五倍，瞳孔中心到眉心中心點的距離是臉長的1/10。上臉較薄，上臉睫毛密而長而翹，下臉睫毛略短而翹向下。眉毛稀薄，高而狹，眉形宜細，形如柳葉，眉間分明。眼球端正對稱，角膜露出率為75%。

**鼻子**  
 鼻高直平準。鼻子的長度6~7.5cm，鼻尖高度22~24mm，鼻翼外緣不超過兩眼內眶的垂直線。鼻尖球形。鼻孔橢圓形，雙側對稱，斜向鼻尖。

**耳朵**  
 耳小，貼臉，耳垂長而圓潤，顏色粉紅。

**牙齒**  
 牙齒整齊，堅直緊密，色澤潔白，形態自然。口氣芬芳。

**嘴巴**  
 嘴的寬度應為同水平面寬的一半。嘴唇豐滿，唇線分明，自然紅潤，有光澤。下唇較上唇稍厚，具立體感。上唇厚8mm，下唇厚10mm。

**下頷**  
 下頷小巧，圓潤。

**面部**  
 面形橢圓，額頭飽滿。下頷角間距約116mm，額頂至鼻根與鼻根至下頷等長，從鼻至眉心，眉心至鼻下，鼻下至下頷等距。鼻尖、嘴根、頰下點基本為一直線。

**頭肩**  
 頭部修長，緊實，平滑，無皺紋，頭圍與小腦圍相等。雙肩對稱，不聳不垂，肩峰渾圓。鎖骨直而細，鎖骨窩淺，腋毛稀少。

**胸部**  
 胸廓寬厚，胸肌豐隆，乳房渾圓，左右對稱，高聳挺拔，美觀而富有彈性。乳房位於第二至第六肋骨間，乳頭與第四肋齊齊。乳頭小且突出，顏色粉嫩，直徑為乳暈的1/3。

**手臂**  
 雙臂對稱等長，等粗，發育均衡，關節圓潤靈巧。上臂圍等於大腿圍的一半。雙臂柔軟嫩滑，十指纖長靈活，指甲清潔光亮，食指比無名指長。小臂與手臂光澤無毛。

**腰腹**  
 腰呈圓柱形，輕盈靈活，小腹微隆，腰圍為胸圍的2/3。肚臍位於腰圍中線，略小凹陷，直徑1.5~2.0cm，上方有一皮膚突出，呈現T型。

**臀部**  
 臀部緊實，豐滿上翹。

**身材**  
 體形苗條，曲線分明。體重45~50kg，三圍比例90:60:90cm，身長是頭高的8倍，腰下圍與身上身長比例為8:5。

**皮膚**  
 膚色紅潤健康，有光澤，膚質細膩，光澤，觸感緊密，柔韌有彈性，色素分佈均衡，無斑點。毛孔細小，體毛稀疏色淺。

**腿部**  
 下肢修長筆直，光滑無毛。大腿圍較腰圍小10厘米，小腿圍較大腿圍小20厘米，足跟圍較小腿圍小10厘米。

**腳部**  
 外形勻稱，無畸形，無變形，無厚繭。光滑細膩，富有彈性。