

CHAIRPERSON'S STATEMENT

主席報告書



Natural Beauty is pleased to present our annual results for the year ended 31 December 2005 and to report a historical high income growth since the company has been listed on the Hong Kong Stock Exchange.

PERFORMANCE

During 2005, turnover has remained stable at HK\$357.9 million relative to the previous reporting period largely due to recessions in Taiwan and changes to our product and service strategies. Other operating income increased by 86.8% to HK\$43.1 million as compared to HK\$23.1 million in 2004. Nevertheless, our net income demonstrated a record breaking growth of 29.2% at HK\$81.0 million as compared to HK\$62.7 million in 2004.

The Board of Directors has resolved to declare a final dividend of 2.0 HK cents per share (2004: 1.75 HK cents). In addition to the interim and special dividend paid during the year, total dividend for the year amounted to 3.3 HK cents, representing a dividend payout ratio of 81.5%.

BUSINESS REVIEW

Structural change in product versus service revenues

We have continued with the strategy to entrust our self-owned model spas to reputable operators, where these stores will operate in a franchisee arrangement while distributing our products. This strategy is evidently a key driver of the record-breaking net income growth from our PRC operation. As a result, product sales had increased by HK\$10.1 million and accounted for 94.0% of our total turnover from the PRC as compared to 89.2% in 2004. The overall gross margin from the PRC has increased from 73.7% to 80.1% and has resulted in an additional gross margin contribution of HK\$13.6 million in 2005. As a result of the entrustment strategy, our service revenue from the PRC has decreased from HK\$18.1 million in 2004 to HK\$7.7 million in 2005, whereas related losses have narrowed down to HK\$4.8 million in 2005.

Expanding Distribution Network

Natural Beauty operated a network of 2,121 stores as of 31 December 2005. In order to expand NB's distribution network, we have launched a marketing campaign to recruit franchisees in the PRC using advertising media including TV commercials, magazines, and outdoor billboards since mid November 2005.

We have also launched our website under the new brand identity in mid November and has already attracted over 950,000 visitors to the website as at 31 December 2005. During the first two months of the launch, there were 1,136 queries on franchisee opportunities.

We have set up a call centre operation in mid December to solicit potential franchise partners and gather contact data of beauty salons from Shanghai, Guangzhou and Shenzhen with an established clientele. We have successfully reached out and gathered data from 4,402 salons amongst 80,000 entries in our database.

As of 31 December 2005, 93 of the 933 salons contacted have expressed interest in converting into NB franchisees. Official statistics reveals that there are approximately 1.54 million beauty centers in the PRC, thus, we will continue with our efforts to reach out to these potential NB franchisees in other cities.

Improving Sales per Store

During the year under review, we have revamped our brand image in order to improve brand recognition and facilitate better sales. We have launched a shop image revamp program in the PRC in April 2005. As at 31 December 2005, 611 of the 1,446 NB spas in the PRC have revamped their shop fronts to be consistent to our new identity. We target to have the makeover completed by mid 2006.

The upgrade and revamp of our franchise operations in Taiwan is scheduled to commence in March 2006. We intend to speed up the expansion of our distribution network once our mechanism for franchisee recruitment is in place and the makeover of our shops is completed.

Our revamp process is extended to product packaging. We have successfully reduced the number of our bottle designs from over 200 down to 24 for our range of approximately 700 products. We have already repackaged 60 products and the process of repackaging is expected to be completed within 2006. Repackaged products are expected to be well received by personal users where we will expect better sales for home-use products. We have also managed to negotiate for lower product costs in the last quarter of 2005. We believe the new packaging and lower product costs will translate into higher margins and in turn, even better profits in 2006.

Our revamped brand identity has been well received and granted us such internationally renowned accreditations as the 2005 “Outstanding enterprise in Hong Kong” award, “Longshi Global Chinese - Language Print Advertisement” for Best Slogan & Most Creative Graphics, status as one of the six shortlisted candidates in the “Hong Kong Design Award”, 8 merits and shortlisted in the “Asia Pacific Times Award” as well as the “Asia Pacific Interior Design Award” for our spa in Central, Hong Kong.

Finally, we have further improved our product mix and introduced new products to increase revenues from stores. Following the successful launch of NB1 Anti-aging series in 2004, we have rolled out new products within the NB1 family including NB1 Whitening, Anti-irritation, and Pore-refining series in 2005. In addition, we have launched 5 kinds of health supplements, all of which are targeted to improve revenues from stores. As a result, average sales per store in PRC further improved by 4.5% to HK\$139,000 for the year ended, on top of 16.7 % growth in 2004.

Dual-Track Franchisee Management Mechanism

To improve the quality of our customer service and to ensure a consistent image across all boards for NB franchisee stores, we have adopted a dual-track management mechanism by setting up a panel of experts to monitor the presentation and delivery of services at subsidiaries as well as local franchisee stores. The dedicated team is responsible for implementing and monitoring training programs and marketing campaigns every other month. The team also conducts store audits in their assigned areas up to 4 times a year.

Improving Distribution System

Our logistic centers in Shanghai, Guangzhou and Beijing became fully operational in December 2005.

OUTLOOK

We will continue with our efforts to increase turnover and profits and identify additional sources of income in 2006:

Expansion in both Local and International Markets

As an incentive to encourage franchisee to revamp their stores, we have put in place a program to grant the franchisee a mass product distribution right should they take part in the revamp. This would allow the franchisee to expand their product base by selling two extra lines designed for younger people to local hypermarkets, cosmetic drugstores and department store counters in the second quarter of 2006. We believe in addition to providing an attraction for franchisees, this arrangement will have a synergistic effect and bring in new customers from commercial districts to their spas via distributing discounted service vouchers with products sold. The younger lines will be reinforced via our sponsorship of the “CCTV-MTV Music Award”.

Currently, we are under negotiation with renowned fashion designers in Europe and the US to design a unisex skincare line for Natural Beauty. The product line is intended to be marketed exclusively by international cosmetic channels in those regions. The designer line will also be launched in the PRC.

New Revenue Sources

Franchisee fees for new franchise partnerships has been introduced in 2005 (RMB50,000 and RMB30,000 for 1st and 2nd tier cities respectively) and will continue to generate income for the Group in the future. A management fee of approximately RMB5,000 per quarter will be chargeable to all existing franchisee stores in the first quarter of 2006 that is inclusive of local advertising support, international training and customer data bank. We believe such supporting initiatives would further enhance the earning capacity of the Company.

Expand Beauty Training Business

Natural Beauty has 15 beauty training centers throughout the PRC that are in collaboration with the Ministry of Labor and local Department of Labor to issue 10 types of beauty licenses, including Beautician, Aroma Therapists, Make up Artists, Stylists, etc. The Ministry of Labor also started to subsidize our training centers from RMB670 to RMB1,720 for each student who passes the license exam at our centres since the beginning of 2006. We believe tuition incomes from training programmes will bring in additional revenue for the company as well as generate product sales from students during the 2-month training period. In addition to students from the Government licensing exams and from new franchisee stores, we are planning to organize CCTV-MTV NB Beauty Summer Camps with celebrity endorsement to attract college students and younger office workers, providing them with basic beauty training and to increase our brand awareness amongst this demographic segment.

As the economy in the PRC continues to prosper with increasing demand for beauty services, we are confident in the positive outlook for our business. With the concerted efforts of the management and our staff, we endeavor to achieve promising returns for our shareholders. We believe we are now ready for further expansion.

NOTE OF THANKS

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

Dr. Yen Yu Tsai

Chairman

Hong Kong, 12 April 2006



自然美欣然提呈其截至二零零五年十二月三十一日止年度之年度業績，本公司錄得自其於香港聯交所上市以來最高收益。

表現

於二零零五年，營業額對比上一申報期間維持平穩於357,900,000港元，主要由於台灣經濟倒退及本集團產品及服務策略改變所致。其他經營收益由二零零四年23,100,000港元增加86.8%至43,100,000港元。儘管如此，本集團收益淨額錄得破紀錄增長，由二零零四年62,700,000港元增長29.2%至81,000,000港元。

董事會議決宣派末期股利每股2.0港仙(二零零四年：1.75港仙)。連同年內已派發中期及特別股利，本年度股利合共為3.3港仙，派息率為81.5%。

營運概況

產品結構性變動令服務收益下降

本集團沿用委託優秀經營者經營本身經營模範水療中心的策略，該等店舖將會按加盟店安排經營，同時分銷本集團產品。此策略顯然已成為本集團中國業務錄得破紀錄增長的主要動力。因此，產品銷售增加10,100,000港元，佔本集團中國營業額的94.0%，而二零零四年則佔89.2%。中國業績整體毛利率由73.7%增加至80.1%，於二零零五年帶來額外毛利貢獻13,600,000港元。由於實行委託經營策略，本集團於中國的服務收益由二零零四年18,100,000港元下降至7,700,000港元，而相關虧損則收窄至4,800,000港元。

擴大分銷網絡

於二零零五年十二月三十一日，自然美經營共有2,121間店舖的網絡。為擴展NB的分銷網絡，本集團已自二零零五年十一月中起推出市場推廣活動，透過電視廣告、雜誌及戶外廣告板等宣傳媒體於中國招攬加盟商。

此外，本集團於十一月中以新品牌形象推出網站，於二零零五年十二月三十一日已吸引超過950,000名訪客瀏覽。於網站推出首兩個月，共接獲1,136宗有關加盟機會的查詢。

本集團於十二月中設立電話服務中心業務，以招攬潛在加盟商夥伴，以及收集上海、廣州及深圳已具客戶基礎美容院之聯絡資料。本集團已成功接洽數據庫80,000項記錄中4,402間美容院並取得資料。

截至二零零五年十二月三十一日，在本集團共接洽933間美容院，其中93間表示有興趣成為NB加盟商。官方統計數字顯示中國大陸約有1,540,000間美容中心，因此我們將會繼續努力，於其他城市與該等潛在NB加盟商接觸。

改善店舖銷售額

於回顧年度內，本集團提升其品牌形象，以改善品牌知名度及促進銷量。本集團於二零零五年四月在中國展開店舖形象提升計劃。於二零零五年十二月三十一日，中國1,466間NB水療中心中611間已完成店面翻新，以配合本集團全新形象。本集團準備於二零零六年中完成此項翻新工作。

本集團台灣加盟業務的提升及翻新工作預期將於二零零六年三月展開。本集團計劃於落實招攬加盟商的機制及商舖翻新完成後，加快擴展其分銷網絡。

提升本集團的過程亦已延伸至產品包裝方面。我們已成功將七百多款產品的二百多款容器包裝簡化為24款，並已重新包裝60款產品，預期重新包裝工作將於二零零六年內完成。本集團預期，重新包裝產品將會廣受個人用戶歡迎，因此家用產品之銷量可望更進一步。本集團已成功於二零零五年第四季爭取更低產品成本。我們相信，新包裝及較低產品成本將於二零零六年為本集團帶來更高邊際利潤和盈利。

本集團重新包裝的品牌形象廣受好評，並獲得多項國際殊榮，如二零零五年「香港傑出企業獎」、「Longshi全球華語印刷廣告獎」最佳廣告標語及最具創意圖象、「香港設計獎」六項入圍設計之一、「Asia Pacific Times Award」八個獎項及候選名單，而本集團於香港中環的水療中心則榮獲「亞太室內設計獎」。

最後，本集團進一步改良產品組合及推出新產品，以增加店舖收入。隨著二零零四年成功推出NB1抗衰老系列後，本集團於二零零五年推出NB1旗下新產品，包括NB1美白系列、防敏系列及收細毛孔系列。此外，本集團亦推出五款保健食品，旨在改善店舖收益。因此，於年底，中國店舖平均銷售額繼二零零四年增長16.7%後，再度增長4.5%至139,000港元。

雙軌加盟商管理機制

為改善本集團客戶服務質素，以及確保各NB加盟店形象貫徹一致，本集團已採納雙軌管理機制，設立專家小組，監察附屬公司及本地加盟店的形象及提供服務情況。專責隊伍則每兩個月落實及監控培訓計劃及市場推廣活動。該隊伍每年亦會於所負責地區進行最多四次店舖巡查。

改善分銷系統

本集團於上海、廣州及北京的物流中心已於二零零五年十二月全面投入運作。

展望

本集團將會繼續於二零零六年繼續提升營業額及溢利，並物色額外收益來源：

擴展本地及國際市場

為鼓勵加盟商翻新店舖，本集團推行一項計劃，給予翻新店舖的加盟商大規模產品分銷權。此項分銷權容許加盟商擴充其產品種類，於二零零六年第二季向本地大型超級市場、化妝藥房及百貨公司專櫃售賣額外兩款專為年輕人而設的系列。本集團相信，此項安排除了能夠吸引加盟商外，亦可締造協同效益，以及透過售出產品派發的優惠券吸引商業區的新客戶光顧加盟商的水療中心。本集團將會透過贊助「CCTV-MTV 音樂頒獎禮」，加強此年輕系列產品的宣傳。

現時，本集團正與歐美著名時裝設計師商討，為自然美設計男女皆宜的護膚系列。該產品系列將會於該等地區透過國際化妝頻道獨家銷售。該款設計師系列亦會於中國推出。

新收益來源

本集團於二零零五年就新加盟商夥伴收取加盟費(第一級城市及第二級城市分別為人民幣50,000元及人民幣30,000元)，而此將於日後繼續為本集團帶來收入。本集團亦將於二零零六年第一季起向全部現有加盟店收取每季約人民幣5,000元的管理費，收費包括本地廣告支援、國際培訓及客戶數據庫。我們相信該等支援措施將可加強本公司的盈利能力。

擴充美容培訓業務

自然美於中國全國各地與國家勞工部及地方勞工部合辦15家美容培訓中心，以發出10種美容牌照，包括美容師、香薰治療師、化妝師、髮形師等牌照。自二零零六年初起，國家勞工部就每名於本集團旗下中心通過牌照考試的學員發放人民幣670元至人民幣1,720元的津貼。我們相信，培訓課程將會為本公司帶來額外收入來源，以及於兩個月培訓期間藉向學員銷售產品產生收入。除來自政策牌照考試及新加盟店的學員外，本集團計劃籌辦獲名人參與的CCTV-MTV NB暑假美容訓練營，以吸引大學生及年輕白領人士，向彼等提供基本美容培訓及增加本集團品牌於此年齡層的知名度。

隨著中國經驗持續蓬勃發展，對美容服務需求不斷增加，我們對本集團業務前景充滿信心。憑藉管理層及各員工群策群力，我們竭力為股東帶來理想回報，並相信本集團已準備就緒作進一步擴展。

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，二零零六年四月十二日