

MANAGEMENT DISCUSSION & ANALYSIS

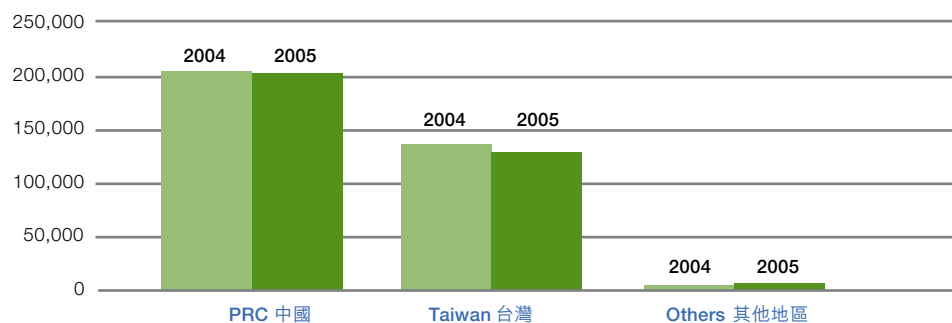
管理層討論及分析

FINANCIAL REVIEW 財務概況

Turnover by geographical region

	2005		2004		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	213,915	59.8%	214,061	59.8%	(146)	-0.1%
Taiwan	137,358	38.4%	142,150	39.7%	(4,792)	-3.4%
Others	6,643	1.8%	1,931	0.5%	4,712	244.0%
Total	357,916	100.0%	358,142	100.0%	(226)	-0.1%

HK\$'000
千港元



Average sales per store	2005	2004	2005	2004	Changes HK\$	Changes %
	Average store*	Average store*	Average sales per store HK\$	Average sales per store HK\$		
PRC	1,533.5	1,607.5	139,000	133,000	6,000	4.5%
Taiwan [^]	530.0	600.0	259,000	237,000	22,000	9.3%
Group total**	2,083.5	2,209.0	169,000	161,000	8,000	5.0%

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

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

[^] 2004: Hong Kong was under entrustment, average store number in Taiwan adjusted to include Hong Kong Market.

Turnover has slightly decreased by 0.1% to HK\$357.9 million in 2005 compared to HK\$358.1 million in 2004. The decrease in turnover is attributable to the recession of Taiwan economy and the structural changes of product vs. service income in PRC. The Group average sales per store increased by 5.0% from HK\$161,000 in 2004 to HK\$169,000 in 2005.

In the PRC, the turnover decreased by 0.1% or HK\$0.1 million to HK\$213.9 million. The relatively small decrease in PRC turnover is the net effect of increased product sales of HK\$10.1 million, increase in entrustment income of HK\$0.2 million and the reduction of service revenue of HK\$10.4 million. We continued to entrust our self-owned spas in established areas to reputable operators to mitigate our losses, thus resulting in the reduction of our service revenue contributed. However, PRC has recorded a growth in products sales of 5.3% for year 2005 due to the entrustment strategy. We have gross losses on service income as our spas are used as model spas for potential franchisees and are not sales oriented. The products sales, as a result of our brand revamp and store image revamp program started in April 2005, has boosted the average store sales by 4.5% from HK\$133,000 in 2004 to HK\$139,000 in 2005.

In Taiwan, turnover for the year decreased by HK\$4.8 million, or 3.4% to HK\$137.3 million in 2005 compared to HK\$142.1 million in 2004. The decrease in Taiwan market is mainly attributable to recession of Taiwan economy, and our store revamp program in Taiwan was scheduled to launch in the first quarter of 2006.

Other markets includes Hong Kong and Malaysia, there are 2 stores in Hong Kong and 38 stores in Malaysia as at 31 December 2005. The operations of these regions remain immaterial and account for less than 2% of total turnover to the Group.

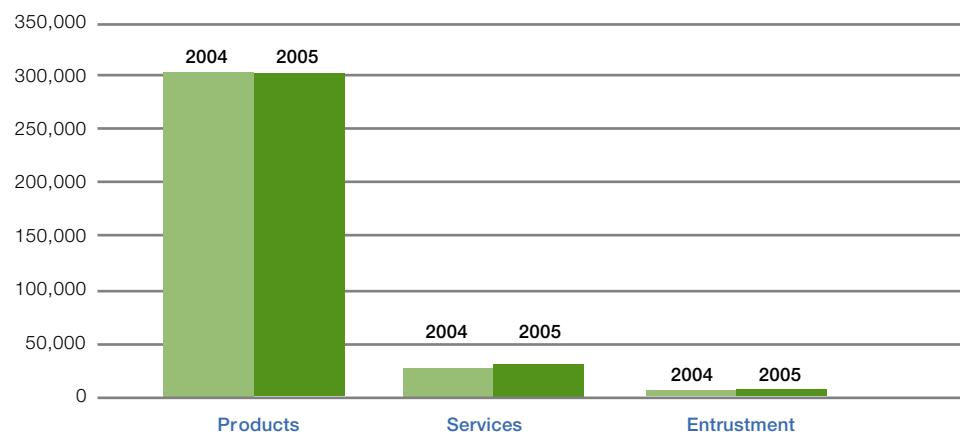
BY ACTIVITIES	2005 HK\$'000	2004 HK\$'000	Variance HK\$'000	Variance %
Products				
PRC	200,979	190,880	10,099	5.3%
Taiwan	117,375	131,919	(14,544)	-11.0%
Others	4,493	1,931	2,562	132.7%
Total	322,847	324,730	(1,883)	-0.6%
Services				
PRC	7,681	18,107	(10,426)	-57.6%
Taiwan	19,983	10,231	9,752	95.3%
Others	2,150	-	2,150	n/a
Total	29,814	28,338	1,476	5.2%
Entrustment				
PRC	5,255	5,074	181	3.6%
Taiwan	-	-	-	n/a
Others	-	-	-	n/a
Total	5,255	5,074	181	3.6%



Turnover by activities

	2005		2004		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	322,847	90.2%	324,730	90.7%	(1,883)	-0.6%
Services	29,814	8.3%	28,338	7.9%	1,476	5.2%
Entrustment	5,255	1.5%	5,074	1.4%	181	3.6%
Total	357,916	100.0%	358,142	100.0%	(226)	-0.1%

HK\$'000
千港元



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\$322.8 million, or 90.2% in 2005, compared to HK\$324.7 million, or 90.7% in 2004. Gross margin of products remain stable at 85.3%.

The drop in products sales is the net effect of increase in PRC products sales of HK\$10.1 million, reduction in Taiwan of HK\$14.5 million and improvement in other regions of HK\$2.5 million. The increase in PRC product is attributable to the brand revamp program, which including the overall brand image, franchise store image and new product packaging. The reduction in Taiwan market is mainly attributable to the recession of Taiwan economy, and our store revamp program in Taiwan was only scheduled to launch in the first quarter of 2006.

Other markets include Hong Kong and Malaysia and only accounted for 1.4% of total product sales for the year.

Services

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

The Group provides skin treatments, beauty and spa services through its self-owned spas. Service income are generated from our 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 5.2% to HK\$29.8 million. There was a decrease of service revenue in PRC of HK\$10.4 million as we continue to entrust self-owned spas to reputable operators. On the other hand, Taiwan reported an increase in service revenue of HK\$9.8 million, arising from the management and training fee received from 201 franchisees amounted to HK\$8.0 million. The spas in Hong Kong previously entrusted were operated by the group since 1 January 2005.

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.

Entrustment

In order to allocate our financial and human resources more efficiently, the Group has entrustment arrangements in PRC 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 as one of our franchises.

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 executives to explore new markets.

The entrustment income increased 3.6% to HK\$5.3 million in 2005 compared to HK\$5.1 million in 2004.

Other operating income

Other operating income mainly represented by rental income of HK\$5.8 million, interest income of HK\$3.3 million, financial refunds of HK\$19.6 million and increase in fair value of investment properties of HK\$4.5 million and others for the remaining balance. The other operating income increased by 86.8%, or HK\$20.0 million from HK\$23.1 million in 2004 to HK\$43.1 million in 2005. The increase is mainly attributable to the increase in financial refund in PRC of HK\$9.6 million due to higher operating profits of PRC subsidiaries; HK\$4.5 million increase in fair value of investment properties in accordance with the Hong Kong Accounting Standard No. 40, which requires gains or losses arising from the changes in the fair value of investment properties to be recognized directly in the profit and loss for the year in which they arise (previously the changes in the fair value was recognized in the statement of equity); a gain on acquisition of additional interest in subsidiary of HK\$2.7 million and increase in interest income of HK\$1.3 million due to increase in interest rate and average bank balances.



Distribution and administrative cost

The Group's distribution costs as a percentage of turnover remained stable at 35.7% compared to 35.4% in 2004. The administration expense reduced HK\$1.9 million to HK\$62.0 million in 2005 compared to HK\$63.9 million in 2004.

Despite of our increased advertising exposure in various media, our group advertising costs has reduced by 4.5% to HK\$77.1 million, as we continue to allocate our advertising budget to 4A advertising agencies which have stronger media-buying power, to achieve the operating efficiency. The savings was compensated by the increase in the travel and transportation expenses. The increase in travel expenses of HK\$1.9 million was due to our fortifying of our franchisee dual track management system, where our expert teams travel to each city in PRC to provide assistance, to monitor and to ensure the local franchisees achieve the required competence and consistency of service quality, in addition to the local support to franchisees from our subsidiaries. The increase in transportation expense of HK\$1.9 million was mainly due to the collaboration of China Post for the warehouse and inventory management, as well as logistics of deliveries in PRC. Capitalized on our experience in collaboration with China Post, we believe it would be more cost effective in enhancing the internal supply chain management and building our own distribution systems. We are currently managing the three warehouses in Shanghai, Beijing and Guangzhou to cover the whole PRC. The delivery of products, is currently out-sourced to other logistics companies in China.

Other operating expenses

Other operating expenses for the year of HK\$18.2 million mainly represents provision of obsolete inventory of HK\$8.4 million, loss on disposal of fixed assets of HK\$3.8 million, donation of HK\$1.2 million, bank charges of HK\$1.3 million and loss on closure of branches and subsidiaries of HK\$2.2 million. The main reason for the fluctuation as compared to last year was due to higher inventory provision was charged in current years, partly due to the product repackaging initiative.

Profit before taxation

The increase in gross profit, other operating income, in couple with the savings in administrative expense, net of the increase in other operating expenses, the profit before tax surged by 21.0%, from HK\$99.1 million in 2004 to HK\$119.8 million in 2005.

Taxation

Taxation expenses increased 6.9% from HK\$36.3 million in 2004 to HK\$38.8 million in 2005. The effective tax rate of the Group for financial year ended 31 December 2004 and 2005 were 36.7% and 32.4% respectively. The drop in effective tax rate is benefited from our Taiwan operation, where the Taiwanese Government offered tax reduction for Taiwan manufacturers who re-invest in Taiwan. The relatively high effective tax rate is 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 2005 (2004: HK\$2.1 million).

Net profit for the year

As a result, the net income for the year increased by 29.2% from HK\$62.7 million in 2004 to HK\$81.1 million in current year.

Liquidity and financial resources

Cash generated from operations for 2005 was approximately HK\$150.9 million (2004: HK\$161.8 million). The decrease was primarily due to increase of trade and other receivables balance. As at 31 December 2005, the Group had bank balances and cash of approximately HK\$338.7 million (2004: HK\$235.9 million) and trading securities (which are mainly capital guaranteed bond funds) of approximately HK\$26.5 million (2004: HK\$94.4 million) with no external bank borrowing.

In terms of gearing, as at 31 December 2004 and 2005, 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 2004 and 2005 were 5.3 times and 6.0 times respectively. As at 31 December 2005, 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\$155.3 million (2004: HK\$156.1 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.

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 2005, approximately 68.1% (2004: 85.6%) of the Group's bank balances and cash was denominated in Renminbi, while approximately 21.4% (2004: 4.3%) was denominated in New Taiwan Dollar and the remaining 10.5% (2004: 10.1%) 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.

BUSINESS REVIEW

PRC Market

Our brand revamp exercise had been implemented for one year and the benefits started to reflect on the growth of product sales. Our product sales in PRC has increased by 5.3% to HK\$201.0 million. We have also started the product repackage process in late 2005. The gross margin of product sales also recorded an improvement from 83.6% in 2004 to 85.1% in current year.



Our entrustment strategy continued to pay off. We entrusted our spas to reputable operators in established areas to mitigate our losses, as our spas are mainly used as model spas for potential franchisees, and are not sales oriented. Despite the service turnover has reduced by HK\$10.4 million, our overall gross profit in PRC has increased by HK\$13.6 million and the overall gross margin significantly improved from 73.7% in 2004 to 80.1% in 2005.

With the increase in other operating income, mainly the tax refund, the operating profit and net profit, both have surged by 23.6% in current year, to HK\$88.2 million and HK\$57.2 million respectively.

Taiwan Market

Taiwan has been in recession and our brand revamp exercise for Taiwan market was only scheduled to start in the first quarter of 2006. As a result, the product sales in Taiwan has dropped 11.0% to HK\$117.4 million in 2005. The product sales gross margin, has dropped slightly from 88.7% in 2004 to 88.0% in 2005.

Due to the management and training fee received from 201 franchisees of approximately HK\$8.0 million, which was introduced in 2005, the service revenue has surged by HK\$9.8 million to HK\$20.0 million in 2005. The overall gross margin, also recorded a slight improvement from 82.9% in 2004 to 83.1% in current year. The overall gross profit contribution reduced by HK\$3.7 million in 2005 as compared to that of 2004.

Despite the drop in the gross profit contribution, the centralized advertising initiative has saved advertising cost of HK\$14.4 million in Taiwan, and has resulted in the growth of operating profit by 29.4%, or HK\$11.9 million in 2005.

In order to stimulate the Taiwan economy, the Taiwanese government had offered taxation reduction for companies re-investing in Taiwan. The application of such tax benefits by our subsidiaries in Taiwan had been approved and the full benefits started to reflect in current year. The effective tax rate in Taiwan, has been dropped from 22.2% in 2004 to 10.0% in 2005. As a result, the net profit surged by 49.7%, or HK\$15.7 million, to HK\$47.2 million in current year.

Distribution channels

The Group principally derives income through our unique distribution channels, namely spas and counters in department stores. There are total 2,121 store outlets as at 31 December 2005, of which 2,022 are spas and 99 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.

There are total 1,980 franchisee spas as of 31 December 2005, and 14 spas and 77 counters are directly operated by the Group. There are also 28 spas and 22 counters being 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.



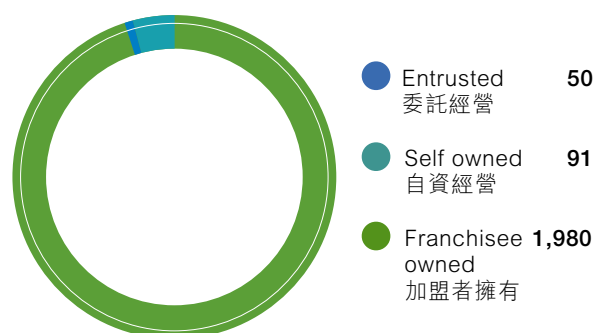
Self-owned spas are primarily set up to act as a model spa for potential franchisees. While there are needs to establish self-owned spas in new markets as model spas, the Group considers it would be more profitable as a whole to allocate resources to stimulate product sales instead of operating our own 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.

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, the Group has entrustment arrangements in PRC 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 also sells products to the operators as one of the franchises.

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. This entrustment strategy in PRC is proved successful as the overall gross margin has improved from 73.7% in 2004 to 80.1% in 2005, with an additional contribution of HK\$13.6 million for current year.

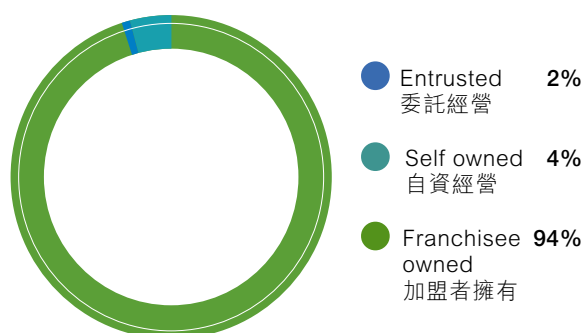
Store Number by Ownership

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

As at 31

December 2005

	Franchisee owned		Self-owned	Self-owned		Total	Grand
	Spa	Spa	Spa	Spa	Counter	Counter	Total
PRC	1,415	28	3	1,446	22	77	1,545
Taiwan	527	-	9	536	-	-	536
Others	38	-	2	40	-	-	40
Total	1,980	28	14	2,022	22	77	2,121

Store Number by Ownership As at 31 December 2005	Franchisee owned	Entrusted	Self-owned	Total
PRC	1,415	50	80	1,545
Taiwan	527	–	9	536
Others	38	–	2	40
Total	1,980	50	91	2,121

Revamp Brand Image

We recognized the needs to transform our brand image through a more active strategy, to stay competitive. The brand revamp can be summarized in five main areas:

- New Logo
- New Franchise Store Image
- Existing Franchise Spa Store-Front Revamp
- Product Repackaging
- Website Relaunch



New Logo

We are pleased to receive countless applauses on our new logo design, and the new logo have been incorporated in all range of products, ranging from name card, stationery to carrying bags.



New Franchise Store Image

Similar to our logo, all new franchise spas need to have a refreshing and eye-catching image to attract and retain customers. We have set up model spas/image shop for potential franchisees. We will continue to promote and encourage existing franchisees to upgrade to the new franchise store image upon their renewal or renovation of their spas.



Existing Franchise Spa Store-Front Revamp

Since we have a vast network of franchise spas and it is impractical to request all the franchisees to renovate their spas according to our new franchise store image, we have an interim arrangement, for the existing franchise to revamp their spa, with minimum efforts and financial resources. As of 31 December 2005, there were 611 franchise spas have completed their store revamp.



Product Repackaging

Our brand revamp is also extended to product package. We have re-designed all our product packages. In order to offer a consistent image, we have simplified our package type of over 700 products in more than 200 various forms, and turned into 24 standard forms only. As at 31 December 2005, there were 60 products have their product packages changed. We expect to complete the product repackaging exercise by end of 2006.

All our new packages are costing less than the original packages, with cost saving ranging from RMB0.06 to RMB12.14. We believe our repackaged products not only would improve the profit margin, the appealing look would also drive the sales of home-use products in the spas, one of our initiatives to further boost the store sales of each franchisee.



Website Relaunch

To facilitate the end customers and franchisees, we have re-launched our websites in PRC in 2005 to realign the revamped image and to enrich the contents. The website provides all sorts of beauty tips, company activities, product information and online shopping to the end customers. There is also a section dedicated to potential franchisees. As at 31 December 2005, there were 1,136 visitors have provided personal details and interested in becoming one of our franchisees. The website, also has a Business-to-Business (“B2B”) portal for franchisees to order their goods online.

Logistics

We had collaborated with China Post in 2005 to centralize our warehouses in more than 10 locations in China. We had set up three logistics centres with China Post. China Post was

responsible for the warehouse management, inventory management and logistics of the delivery of products. Capitalized on our experience in collaboration with China Post, we believe it would be more cost effective in enhancing the internal supply chain management and building our own distribution systems. We are currently managing the three warehouses in Shanghai, Beijing and Guangzhou to cover the whole PRC. The delivery of products, is currently out-sourced to other logistics companies in China.

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 overseas cosmetic companies on technological development and imported European, American, Japanese and Australian biotechnology materials and applied them in over 700 NB's products. The Group's research and development team comprises 13 members and a number of overseas consultants with experience and expertise in cosmetics, medical, pharmacy and bio-chemistry. NB's products are constantly enhanced and modified with new ingredients developed by its research and development team. The Group believes that the collaboration of different expertise and experience 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 have special formulation to especially suit the needs of the delicate skin of oriental women. NB's products are attentive to the skin's natural metabolism and its benefits are long-lasting.

In developing new products, the research and development team will take into account the feedback and advice from senior management of the Group. Prototype of new products will be distributed to over 1,000 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. Where a product requires registration with relevant authorities, it will be done prior to the launch in the market. All NB products are assured to meet all relevant regulations.

In addition to NB's dedicated research and development team, NB has collaborated with a leading researcher, Dr. Chen Ji Dai, in the field of human genome and stem cell technology, in the development of anti-aging NB-1 product family and other products for spot removing, whitening, anti-allergy and slimming. 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.

The total research & development cost for the year ended 31 December 2005 amounted to HK\$1.3 million (2004: HK\$2.0 million).

Products

After the successful launch of our flagship product, anti-aging NB-1 series in late 2003 and NB-1 Whitening series in 2004, this year the Group also launched NB-1 anti-allergy, pore refining series and six kinds of health supplement to our product line. In 2005, there were over 45,000 sets/bottles of NB-1 Series were sold with a turnover of HK\$45.8 million.



We continue to enrich our product range in 2005, apart from the NB-1 whitening series, there were also health supplement and body sculpturing lingerie added. Total sales for the health supplement and body sculpturing lingerie for the year ended 31 December 2005 were HK\$7.8 million and HK\$5.8 million respectively.

Information Technology

The Group starts to implement ERP system by Oracle 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.

The implementation of the ERP in Taiwan was completed and the implementation in PRC is expected to be completed in 2006.

Human Resources

As at 31 December 2005, the Group had a total of 878 employees, of which 682 were based in PRC, 177 in Taiwan and 19 in other areas. Total remuneration (excluding directors' emoluments) for the year ended 31 December 2005 was appropriately HK\$62.7 million (2004: HK\$52.7 million), including retirement benefits cost of HK\$6.0 million (2004: HK\$5.9 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.

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\$24.9 million additions to fixed assets in 2005 (2004: HK\$14.2 million), of which included a property purchased in Guangzhou for HK\$12.9 to expand the regional Training Centre for the southern China region.

Franchisees are responsible for the capital expenditures of their spas.

Since our factories in PRC and Taiwan still have spare capacities, current utilization rate estimated at around 70%. The management does not anticipate the need for any new factory in the near future.



OUTLOOK

Natural Beauty's has been the leading professional beauty products & spa services provider in Greater China.

Looking ahead, we will continue to maintain our leading position in Taiwan spa market and we will continue to 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 store image to attract new customers
- New package design to stimulate home-use products sales
- Introduction of various skin-care products and health supplements to enrich the product line.

Plan for expansion of franchise network:

- To increase 200 quality stores in 2006

New revenue sources:

- Training fee from courses provided to other interested parties including:
 - a) Training for Corporations like Sephora;
 - b) Training for individuals including 10 different licensed courses; and
 - c) CCTV-MTV summer training camp to target university & college students
- Management fee to be collected from new franchisees.

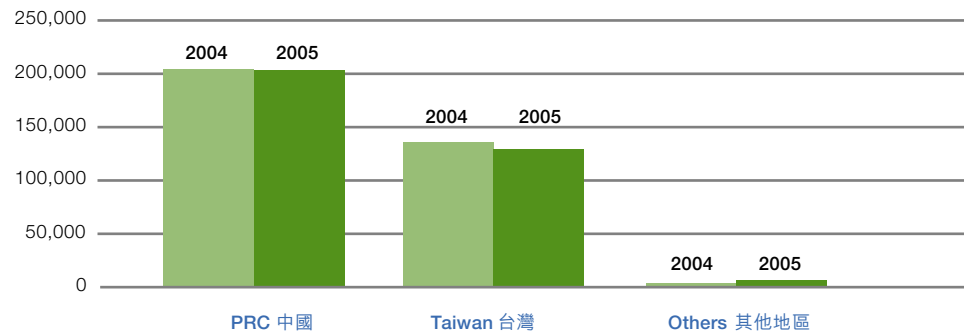
With the relentless pursuit of excellence, we are confident that we will continue to realize our strategies and to remain as the leading professional beauty products and spa services provider in Greater China.



按地區劃分之營業額

	二零零五年		二零零四年		變動	
	千港元	%	千港元	%	千港元	%
中國大陸	213,915	59.8%	214,061	59.8%	(146)	-0.1%
台灣	137,358	38.4%	142,150	39.7%	(4,792)	-3.4%
其他地區	6,643	1.8%	1,931	0.5%	4,712	244.0%
總計	357,916	100.0%	358,142	100.0%	(226)	-0.1%

HK\$'000
千港元



店舖平均銷售額	二零零五年		二零零四年		變動	
	平均店舖數目*	平均店舖銷售額 港元	平均店舖數目*	平均店舖銷售額 港元	變動 港元	變動 %
中國大陸	1,533.5	139,000	1,607.5	133,000	6,000	4.5%
台灣 [^]	530.0	259,000	600.0	237,000	22,000	9.3%
集團總計**	2,083.5	169,000	2,209.0	161,000	8,000	5.0%

* 平均店舖數目按(期初店舖總數+期末店舖總數)/2計算。

** 集團總計並無計入香港及馬來西亞營業額及店舖數目。

[^] 二零零四年: 香港之店舖乃以委託經營; 台灣之平均店舖數目已調整以包括香港市場在內。

營業額由二零零四年358,100,000港元輕微下降0.1%至二零零五年357,900,000港元，乃受台灣經濟衰退及中國產品相對服務收入結構性轉變所拖累。本集團的店舖平均銷售額由二零零四年161,000港元增加5.0%至二零零五年169,000港元。

中國營業額減少0.1%或100,000港元至213,900,000港元。中國營業額減幅相對較小，乃由於產品銷售額上升10,100,000港元、委託經營收益增加200,000港元及服務收益減少10,400,000港元之影響淨額所致。本公司繼續將位於已開發市場的水療中心委託優秀經營者營運，以盡量減少虧損，因此所得服務收益減少。然而，由於委託經營安排，中國的產品銷售額於二零零五年增長5.3%。由於本公司的自營水療中心旨在用作潛在加盟商的水療中心模範，並非以銷售為目標，因此服務收入錄得毛損。由於本公司的提升品牌及店舖形象計劃已於二零零五年四月展開，產品銷售上升，將店舖平均銷售額由二零零四年133,000港元推高至二零零五年139,000港元。

於台灣，本年度營業額由二零零四年142,100,000港元減少4,800,000港元或3.4%至137,300,000港元。台灣市場營業額減少，主要由於台灣經濟倒退所致。本公司於台灣的翻新店舖計劃預計於二零零六年第一季展開。

其他市場包括香港及馬來西亞，於二零零五年十二月三十一日，本公司在香港設有兩間店舖，並在馬來西亞設有38間店舖。該等地區的業務並不重大，佔本集團總營業額少於2%。

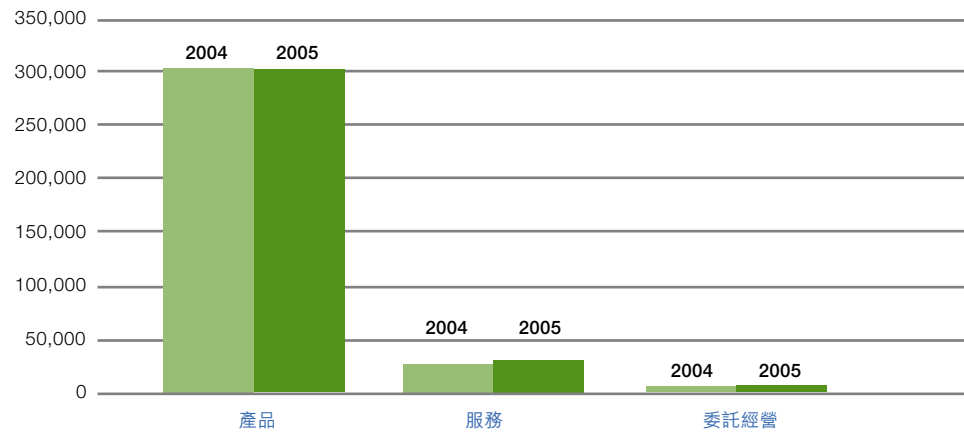
按業務劃分	二零零五年 千港元	二零零四年 千港元	變動 千港元	變動 %
產品				
中國大陸	200,979	190,880	10,099	5.3%
台灣	117,375	131,919	(14,544)	-11.0%
其他地區	4,493	1,931	2,562	132.7%
總計	322,847	324,730	(1,883)	-0.6%
服務				
中國大陸	7,681	18,107	(10,426)	-57.6%
台灣	19,983	10,231	9,752	95.3%
其他地區	2,150	—	2,150	不適用
總計	29,814	28,338	1,476	5.2%
委託經營				
中國大陸	5,255	5,074	181	3.6%
台灣	—	—	—	不適用
其他地區	—	—	—	不適用
總計	5,255	5,074	181	3.6%



按業務劃分之營業額

	二零零五年		二零零四年		變動	
	千港元	%	千港元	%	千港元	%
產品	322,847	90.2%	324,730	90.7%	(1,883)	-0.6%
服務	29,814	8.3%	28,338	7.9%	1,476	5.2%
委託經營	5,255	1.5%	5,074	1.4%	181	3.6%
總計	357,916	100.0%	358,142	100.0%	(226)	-0.1%

HKS'000
千港元



產品

本集團以NB及Bio-up品牌製造及銷售護膚、美容及香薰三大類產品。產品主要透過水療中心及專櫃銷售，為本集團主要收益來源，於二零零五年之銷售額為322,800,000港元，佔90.2%，而二零零四年為324,700,000港元，佔90.7%。產品之邊際毛利則維持於85.3%的穩定水平。

產品銷售下降主要由於中國產品銷售額增加10,100,000港元、台灣產品銷售額減少14,500,000港元及其他地區產品銷售額增加2,500,000港元相互抵銷的影響所致。中國產品銷售額增加歸功於提升品牌計劃，包括整體品牌形象、加盟店形象及新產品包裝。台灣市場產品銷售額下降，主要由於台灣經濟倒退及本公司於台灣的翻新店舖計劃於二零零六年第一季方告展開所致。

其他市場包括香港及馬來西亞，該等地區僅佔本年度總產品銷售額1.4%。

服務

服務收益包括自資經營水療中心所得服務收益、來自加盟店的培訓收益及管理費以及其他服務相關收益。

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。由於按照現時的加盟經營計劃，本集團不能分佔加盟商所經營水療中心所得任何服務收益，因此服務收益僅源自自資經營的水療中心。來自該等服務之收益增加5.2%至29,800,000港元。由於本集團繼續將自資經營的水療中心委託予優秀經營者營運，來自中國的服務收益減少10,400,000港元。另一方面，台灣的服務收益增加9,800,000港元，源自向201個加盟店收取的8,000,000港元管理及培訓費用。之前委託經營者營運的香港水療中心，自二零零五年一月一日起改由本集團自行經營。

儘管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，但由於自資經營水療中心的經常開支較加盟店為高，本集團認為將自資經營水療中心的資源用於刺激產品銷售整體而言盈利更為豐厚，因此，本集團繼續將位於已開發市場的水療中心委託優秀經營者經營。

委託經營收益

為更有效分配財務及人力資源，本集團委託中國當地優秀經營者經營本集團擁有的水療中心，本集團於中國大陸訂有經營年期由一至五年不等之委託安排。經營者將自負盈虧，而本集團則向經營者每年收取定額委託經營收益。本集團亦向經營者銷售產品，銷售條件與加盟者相若。

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合本地顧客特定需要的服務，從而賺取更多產品及服務收益。另一方面，本集團可每年獲取穩定委託經營收益，並可鞏固分銷地點，以及調配資源至開拓新市場。

委託經營收益較二零零四年的5,100,000港元增加3.6%至二零零五年的5,300,000港元。

其他經營收益

其他經營收益主要為租金收益5,800,000港元、利息收益3,300,000港元、財務退款19,600,000港元及投資物業公平值增加4,500,000港元，餘額則來自其他收益。其他經營收益由二零零四年23,100,000港元增加86.8%或20,000,000港元至二零零五年之43,100,000港元，主要由於中國附屬公司經營溢利上升所產生中國財務退款增幅9,600,000港元、按照香港會計準則第40號的規定將投資物業公平值變動所產生盈虧於產生年度直接在損益確認（過往公平值變動於權益變動表確認）令投資物業公平值增加4,500,000港元、收購一家附屬公司額外權益之收益2,700,000港元以及由於利率及平均銀行結餘上升令利息收益增加1,300,000港元所致。



分銷及行政成本

本集團分銷成本佔營業額百分比與二零零四年35.4%相比，穩定維持於35.7%。行政開支則較二零零四年的63,900,000港元減少1,900,000港元至二零零五年的62,000,000港元。

儘管本公司提高於各媒體的曝光率，但廣告成本卻下降4.5%至77,100,000港元，原因為本公司持續將廣告預算撥予購買媒體議價力較強的美國廣告協會成員廣告公司，從而提高經營效益。所節省的廣告成本為差旅及運輸開支增加所抵銷。差旅開支增加1,900,000港元，乃由於本公司正在加強與加盟店的雙軌管理制度，因此除本公司當地附屬公司所提供支援外，本公司的專業隊伍亦需出差到中國各大城市，以協助及監察當地加盟店，確保加盟商達到及保持服務水平。運輸開支上升1,900,000港元，主要由於與中國郵政合作進行倉庫及存貨管理，以及於中國付運貨品的物流所致。憑藉與中國郵政合作所得經驗，本公司相信提升內部供應鏈管理及建立分銷系統能更具成本效益。本公司現時自行管理於上海、北京及廣州的三個倉庫，負責本公司於中國各地的倉儲服務。付運產品則外判予中國其他物流公司處理。

其他經營支出

本年度的經營支出為18,200,000港元，主要為陳舊存貨撥備8,400,000港元、出售固定資產虧損3,800,000港元、捐款1,200,000港元、銀行收費1,300,000港元以及結束分行及附屬公司虧損2,200,000港元。其他經營支出較去年增加，主要由於本年度所作存貨撥備因推行革新包裝計劃而增加所致。

除稅前溢利

由於毛利及其他經營收益增加，加上行政開支減少，抵銷其他經營支出的增幅，除稅前溢利由二零零四年99,100,000港元急升21.0%至二零零五年119,800,000港元。

稅項

稅項支出由二零零四年36,300,000港元上升6.9%至二零零五年38,800,000港元。本集團截至二零零四年及二零零五年十二月三十一日止財政年度的實際稅率分別為36.7%及32.4%。實際稅率下調乃由於台灣政府為於當地再投資的台灣製造商提供稅務減免優惠所致。實際稅率較高則由於本集團的台灣附屬公司須就於台灣以外地區派發之股息繳付預扣稅。台灣稅務機關於二零零五年收取之預扣稅總額為2,100,000港元（二零零四年：2,100,000港元）。

本年度溢利

基於上文各項，本年度之全年收益淨額較二零零四年的62,700,000港元上升29.2%至81,100,000港元。

流動資金及財務資源

二零零五年經營業務所得現金約為150,900,000港元（二零零四年：161,800,000港元），有關減幅主要由於貿易及其他應收賬款結餘增加所致。於二零零五年十二月三十一日，本集團現有銀行結存及現金約338,700,000港元（二零零四年：235,900,000港元）及買賣證券（主要為保本債券基金）約26,500,000港元（二零零四年：94,400,000港元），另外並無銀行借款。

關於資產負債情況，於二零零四年及二零零五年十二月三十一日，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。於二零零五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）分別為5.3倍及6.0倍。於二零零五年十二月三十一日，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，足以應付其承擔及營運資金所需。

資產抵押

本集團若干賬面值為155,300,000港元（二零零四年：156,100,000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。

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。於二零零五年十二月三十一日，本集團銀行結存及現金約68.1%（二零零四年：85.6%）以人民幣計值，另約21.4%（二零零四年：4.3%）以新台幣計值，餘下10.5%（二零零四年：10.1%）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。

營運概況

中國市場

本公司的提升品牌計劃實行已屆一年，成效已開始反映於產品銷售額增長。本公司於中國的產品銷售額增長5.3%至201,000,000港元。本公司亦於二零零五年底展開革新產品包裝計劃。銷售產品邊際毛利亦由二零零四年的83.6%升至本年度的85.1%。



本公司的委託經營策略繼續獲得成果。由於本公司的水療中心主要用作潛在加盟店的水療中心模範，並非以銷售為目標，本公司將位於已開發地區的水療中心委託優秀經營者營運，以盡量減少虧損。儘管服務營業額因而減少10,400,000港元，本公司於中國的整體毛利卻增長13,600,000港元，而整體邊際毛利亦由二零零四年73.7%躍升至二零零五年80.1%。

由於其他經營收益（主要包括退稅）增加，本年度的經營溢利及純利分別大增23.6%至88,200,000港元及57,200,000港元。

台灣市場

台灣經濟倒退，加上本公司於台灣市場的提升品牌計劃於二零零六年第一季方告展開，因此台灣產品銷售額於二零零五年減少11.0%至117,400,000港元。銷售產品邊際毛利由二零零四年88.7%微跌至二零零五年88.0%。

由於自二零零五年起向加盟店收取管理及培訓費用，而於年內自201個加盟店取得約8,000,000港元，服務收入於二零零五年急升9,800,000港元至20,000,000港元。整體邊際毛利亦由二零零四年82.9%微升至本年度83.1%。與二零零四年相比，整體毛利貢獻於二零零五年減少3,700,000港元。

儘管毛利貢獻減少，但於台灣實行的集中宣傳推廣措施成功節省廣告成本14,400,000港元，故經營溢利於二零零五年增長29.4%或11,900,000港元。

為刺激台灣經濟，台灣政府為於當地再投資的公司提供稅務減免優惠。本公司台灣附屬公司就該項稅務優惠之申請已獲批准，於本年度開始全面享有優惠，故於台灣的實際稅率由二零零四年22.2%下調至二零零五年10.0%，因此，本年度溢利大增49.7%或15,700,000港元至47,200,000港元。

分銷渠道

本集團收益主要來自其獨一無二的水療中心及百貨公司專櫃分銷渠道。於二零零五年十二月三十一日，本集團合共開設2,121間店舖，其中2,022間為水療中心，另外99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護理分析服務，而百貨公司專櫃一般提供皮膚護理分析。

於二零零五年十二月三十一日，本集團共有1,980間水療中心加盟店，其中14間水療中心及77個專櫃由本集團直接經營，而另外28間水療中心及22個專櫃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。

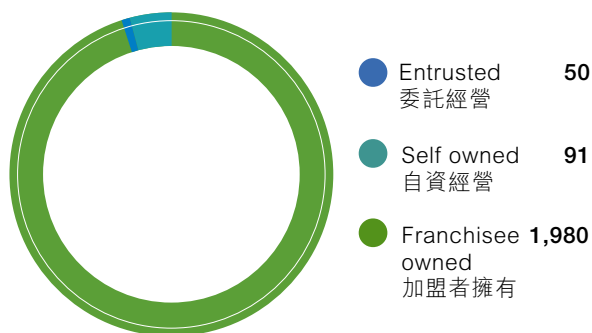
自資經營水療中心主要為作為潛在加盟經營者的水療中心模範而設立。儘管本集團需於新市場設立自資經營的水療中心作為水療中心模範，但由於自資經營水療中心的經常開支較加盟店為高，本集團認為將自資經營水療中心的資源用於刺激產品銷售整體而言盈利更為豐厚，因此，本集團已經及將會繼續將已開發市場若干水療中心委託優秀經營者經營。

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，本集團於中國大陸訂立經營年期由一至五年不等的委託安排，將部分自資經營水療中心委託當地的優秀經營者經營。經營者將自負盈虧，而本集團則每年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入。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。此項委託策略於中國亦成效斐然，整體邊際毛利由二零零四年73.7%上升至二零零五年80.1%，本年度額外貢獻達13,600,000港元。

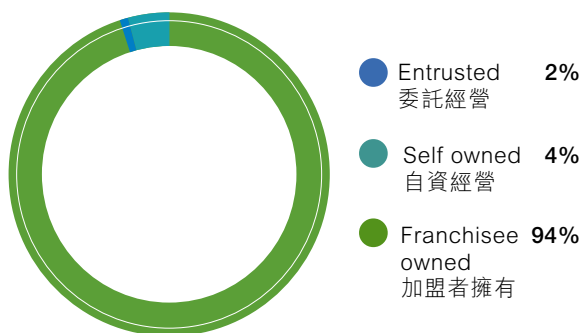
Store Number by Ownership

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 (%)



按擁有權

劃分店舖數目

於二零零五年十二月三十一日	加盟商經營 水療中心	委託經營 水療中心	自資經營 水療中心	水療中心 總計	委託經營 專櫃	自資經營 專櫃	專櫃總計	合計
中國大陸	1,415	28	3	1,446	22	77	99	1,545
台灣	527	—	9	536	—	—	—	536
其他地區	38	—	2	40	—	—	—	40
總計	1,980	28	14	2,022	22	77	99	2,121

按擁有權劃分店舖數目

於二零零五年十二月三十一日

	加盟商經營	委託經營	自資經營	總計
中國大陸	1,415	50	80	1,545
台灣	527	—	9	536
其他地區	38	—	2	40
總計	1,980	50	91	2,121

提升品牌形象

本集團深明必需透過更積極的策略革新品牌形象，保持競爭力。提升品牌計劃可概括為五大方面：

- 新標誌
- 新加盟店形象
- 翻新現有水療中心加盟店店面
- 革新產品包裝
- 重新推出網站



新標誌

本公司新設計的標誌大受歡迎，新標誌已全面應用於所有產品，以至名片、文具及購物袋。



新加盟店形象

正如本公司的標誌一樣，所有新水療中心加盟店亦需要令人耳目一新的鮮明形象，以吸引新客戶同時保留舊客戶。本公司已設立水療中心模範／概念店，供潛在加盟商參考。本公司亦將繼續推廣及鼓勵現有加盟商於續約或翻新水療中心時，將水療中心升級至符合新加盟店形象。



翻新現有水療中心加盟店店面

由於本公司的水療中心加盟店網絡龐大，要求所有加盟商按照本公司的新加盟店形象翻新所有水療中心屬不可行，因此本公司設有過渡安排，容許現有加盟商以最少時間及財務資源裝修其水療中心。截至二零零五年十二月三十一日，其中611間水療中心加盟店已完成翻新工程。



革新產品包裝

本公司的提升品牌計劃亦延伸至產品包裝。本公司已重新設計所有產品的包裝。為統一形象，本公司已將七百多款產品的二百多款包裝，簡化為24種標準款式。截至二零零五年十二月三十一日，60項產品已轉換包裝。本公司預期於二零零六年底完成革新包裝計劃。

所有新包裝的成本均較原有包裝便宜，節省人民幣0.06元至人民幣12.14元不等。本公司相信，革新產品包裝不單止提高邊際利潤，吸引人的包裝亦可望推動水療中心所出售家用產品的銷量。此乃本公司提高加盟店營業額計劃其中一環。



重新推出網站

為方便用家及加盟商，本公司已於二零零五年在中國重新推出網站，以配合新形象並豐富內容。網站向用戶提供各種的美容秘訣、公司活動、產品資訊及網上購物服務，其中內容特別為潛在加盟商而設。截至二零零五年十二月三十一日，1,136名網頁訪客已提供個人資料，表示有興趣成為加盟商。本公司網站同時設有一個商業對商業（「B2B」）入門網站，讓加盟商於網上訂購貨品。

物流

本公司於二零零五年與中國郵政合作集中處理其於中國逾十個地點的倉庫。本公司與中國郵政設立三個物流中心。中國郵政負責倉庫管理、存貨管理及付運產品的物流。憑藉與中國郵

政合作所得經驗，本公司相信提升內部供應鏈管理及建立分銷系統能更具成本效益。本公司現時自行管理於上海、北京及廣州的三個倉庫，負責本公司於中國各地的倉儲服務。付運產品則外判予中國其他物流公司處理。

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。本集團與海外化粧品公司合作開發新技術，同時引入歐美、日本及澳洲生物科技物料用於自然美逾700種產品。本集團研究及開發隊伍由13名成員及多名具備化粧品、醫學、藥劑及生物化學經驗及專業知識的海外顧問組成。本集團不斷改良自然美產品，亦加入研究及開發隊伍所開發的新成分。本集團相信，透過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。NB產品配合肌膚的新陳代謝，效用持久。

開發新產品時，研究及開發隊伍會考慮本集團高級管理人員的回應及意見。新產品的樣本將先分發予逾千名經過甄選的資深美容專業人士。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產品之質素、功效及安全性。倘產品需要於有關機構註冊，本公司將於產品推出市面前完成註冊。所有NB產品均保證符合所有相關規定。

除NB盡責的研究及開發隊伍外，自然美亦與人類基因及幹細胞科技頂尖研究員陳基岱博士合作，開發抗衰老NB-1產品系列及其他去斑、美白、防敏及纖體產品。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。

截至二零零五年十二月三十一日止年度，研究及開發成本合共1,300,000港元（二零零四年：2,000,000港元）。

產品

本集團於二零零三年底及二零零四年分別成功推出旗艦產品－抗衰老NB-1系列及NB-1美白系列後，本年度乘勢推出NB-1防敏及收細毛孔系列以及六款保健食品。於二零零五年，本集團售出超過45,000套／件NB-1系列產品，帶來營業額45,800,000港元。



本公司於二零零五年繼續加強產品組合，除NB-1美白系列外，本集團亦增添保健食品及修身內衣等產品。截至二零零五年十二月三十一日止年度，保健食品及修身內衣總銷售額分別為7,800,000港元及5,800,000港元。

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訊息流程，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完成，而中國方面預期將於二零零六年完成。

人力資源

於二零零五年十二月三十一日，本集團合共聘有878名僱員，其中682名派駐中國，台灣有177名，其他地區則有19名。截至二零零五年十二月三十一日止年度，總酬金開支（不包括董事酬金）約為62,700,000港元（二零零四年：52,700,000港元），其中包括退休福利成本6,000,000港元（二零零四年：5,900,000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商提供專業培訓課程，以提升及保證所提供服務之質素及穩定性。

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。於二零零五年，添置固定資產達24,900,000港元（二零零四年：14,200,000港元），其中包括以12,900,000港元於廣州購入物業以擴充華南地區培訓中心。

加盟商須承擔其水療中心的資本開支。

由於本公司於中國及台灣的工廠有剩餘生產能力，現行使用率僅約70%，故管理層預計，於可見未來毋須添置任何新廠房。



前景

自然美為大中華地區具領導地位的專業美容產品及水療服務供應商。

展望未來，本公司將繼續保持其於台灣水療市場的領先地位，並將繼續專注於快速增長的中國市場發展業務。本公司已制定擴充業務計劃，亦計劃盡量提高收入及盈利能力。

提升同店比銷售額的措施：

- 革新企業及店舖形象，吸引新客戶
- 更新包裝設計，刺激家用產品銷量
- 推出各式護膚產品及保健食品，加強產品組合

拓展加盟商網絡的計劃：

- 於二零零六年增加200家優質店舖

新收入來源：

- 向其他有興趣人士提供課程以收取培訓費用，包括：
 - a) 向絲芙蘭等企業提供培訓；
 - b) 向個別人士提供培訓，包括十個不同的註冊課程；及
 - c) 為大學及大專學生而設的CCTV-MTV暑假訓練營
- 將向新加盟商收取管理費。

憑藉追求完美的精神，本公司深信將會繼續實現其策略，保持作為大中華地區頂尖專業美容產品及水療服務供應商的地位。