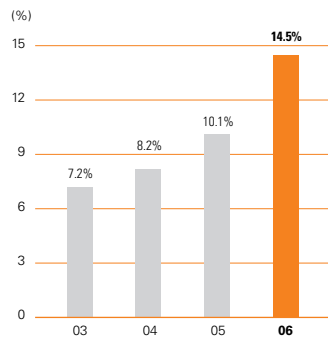




4.4% ^{上升}
_{up}

Return on Equity (%)
股本回報 (%)



韻 : 和諧
Yun

Chairman's Statement

主席報告書



Chairman's Statement

主席報告書

Dear Shareholders,

PERFORMANCE

I am pleased to present Natural Beauty's annual results for the year ended 31 December 2006. Our turnover for the year has increased by 1.6% at HK\$363.7 million (2005: HK\$357.9 million), mainly attributable to 12.2% turnover growth from our China operation that was offset by lackluster performance in Taiwan due to the island's persistent recession. Stringent cost control measures and our brand revamp initiatives in Taiwan have nonetheless begun to revive the Group's performance in the second half of the year. Hence despite a 16.4% drop in sales in Taiwan, our operating profit in Taiwan for the whole year has increased by 4% to HK\$54.4 million. Our net profit for the year has surged by 51.6% to HK\$122.8 million compared to HK\$81.0 million in 2005, while our net margin has increased 11.2 percentage points from 22.6% in 2005 to 33.8% in current year.

The Group's key performance indicators have displayed satisfactory performance during the year. Operating margin and net margin both shown significant improvement. Our return of equity has grown significantly from 10.1% in 2005 to 14.5% in 2006 while return on assets has improved from 8.9% in 2005 to 12.7% in 2006.

For the period under review, product sales from the PRC has increased by 14.3% to reach HK\$ 229.7 million to account for 95.7% of the total turnover in China, while service revenue has decreased by 27.5% to HK\$ 5.6 million. In Taiwan, product sales has accounted for 84.8% of our total revenue at HK\$ 97.3 million, as compared to HK\$ 117.4 million, or 85.5% of total turnover in 2005. Service revenue accounted for 15.2% of our revenue from the region, at HK\$ 17.4 million.

The Board of Directors has resolved to declare a dividend of 3.0 HK cents per share and a special dividend of 1.25 HK cents per share, totaling 4.25 HK cents per share. Total dividend for the year amounted to 6.25 HK cents that is inclusive of the interim dividend as previously declared with an annual dividend payout ratio of 102%.



BUSINESS REVIEW

Product Margin Expanded over Lower Overall Packaging Costs and Popularity of High Margin Products

During the review period, we have seen improvement in our profit margin in both China and Taiwan. Our NB-1 Family products, a premium line that has been very popular, has contributed to higher product margin with its premium pricing. Overall, our brand revamp exercise, of which product packaging is an important aspect, has enabled us to successfully reduce the number of bottle types. We have repackaged 221 products at the end of 2006 (2005: 60). In doing so, we have effectively aligned our products to the Group's updated brand image, and most importantly, improved our product margin in China from 85.1% in 2005 to 85.4% in 2006.

Product Sales Driven by NB-1 Family Products and Successful Store Image Revamp

In addition to its higher margin and rising popularity, the NB-1 Family line is also instrumental to the Group's top line growth, and has accounted for HK\$120.6 million or a considerable 36% of our product sales for the year. We believe the sales of such premium priced products are greatly benefited by the uniqueness of our sales channels. The successful brand image revamp across 1,451 outlets in China and in Taiwan which were completed during the review period has also helped to drive product sales for the year as customers' feedbacks were almost unanimously positive and franchisee owners have reported that they have been able to market to an uppertier clientele.



Continuing to Roll-out Franchisee Network in China while Average Store Sales Grew

As of 31 December 2006, there were 2,429 stores operating in the Greater China Region and Malaysia. Our total outlets grew by 308 during the year and our total number of franchisee spas in the PRC stood at 1,591. We have continued to leverage numerous forms of above-the-line advertising medium, including television commercials, magazines, and outdoor billboards, as well as online recruitment and promotion, to broaden our brand recognition and brand equity, ultimately enhancing our ability to recruit new franchisees in the PRC and expand NB's distribution network. The average sales per store in China grew by 6.5% in 2006. The NB brand is increasingly identified by the younger professional female and middle class family demographics amongst China's high-growth cities as a quality professional beauty product and service provider.

For our Taiwan operation, the total number of franchisee stores stood at 501 as at 31 December 2006. We have commenced a new initiative to increase the number of our retail outlets in Taiwan. As at the end of 2006, we have successfully established 161 new retail outlets in Taiwan, while our target is to increase the total number of outlets to 1,300 by end of 2007. We believe this approach will best complement our long term growth strategy in Taiwan, as franchise spa market is more mature and competitive than that in China.

Building a Professional Managing Team to Gear Up for Group's Future Growth

To support the growth strategy of the Group, we have recruited key management personnel with the announcement of the appointment of Ms. Betty Yeung as the Chief Operating Officer, China and Mr. Mark Shaw as the Chief Operating Officer, Taiwan & other markets in the beginning of this year. With their extensive knowledge and experiences in the channel distribution and people management in the beauty and consumer industry, we believe the Group will be able to achieve new heights and will be one step closer in realizing our goal increase our market share, fortifying our leading position as the professional beauty products and license training provider in the Greater China region.

OUTLOOK

Average Store Sales Expected to Sustain Growth with Enhanced Products, Services, and Brand

In the year ahead, we will increase our training efforts to provide more licensed beauticians to China and Taiwan, in order to enhance the productivity of our franchisees. We believe average store sales will continue to grow in the coming year, driven by our enhanced brand equity thus pricing power of our products amidst China's robust economic growth. We believe our elevated brand positioning and skilled licensed beauticians will both ensure the service quality and cement the competitive positioning of our franchisees.

Expanding Franchisee Network in China will be Key Strategic Focus

To broaden the reach of our products, our target is to open 400 new stores in 2007. We will encourage successful operators to open new stores by providing different kinds of support and incentives, especially in terms of marketing, promotion, and training. The Group's 15 training centers will play a pivotal role in assisting smaller franchisees to the expansion and growth of smaller franchisee, to ensure a sufficient supply of licensed beauticians. In turn, the Group believes ensuring our franchisee operators are offering high quality products and service to customers will benefit the Group by driving up product sales as well as a fostering a stronger brand name for Natural Beauty.

Chairman's Statement (Continued)

主席報告書(續)

China to Follow Taiwan in Developing a Retail Market

The Group sees immense potential for personal care products, especially in the DIY treatment market. The retail operation, under the "Fonperi" brand name, which was newly launched in April 2007, is expected to generate satisfactory revenue for the Group through 1,300 retail points of sales including hypermarkets and drugstores throughout Taiwan.

We will also explore the retail business using the "Fonperi" brand in selected cities in the PRC, in areas where purchasing power is strong and demand for personal care products are on the uptrend. We envisage this retail strategy will be beneficial to the Group's overall profit margin.

NOTE OF APPRECIATION

With great pleasure I would like to thank the members of our Board, our shareholders, and business partners for their continuous support and guidance throughout the year. I would also like to thank the Group's management team and employees for their commitment and hard work, which is instrumental to the Group's continuous growth and expansion.

Dr. Yen Yu Tsai

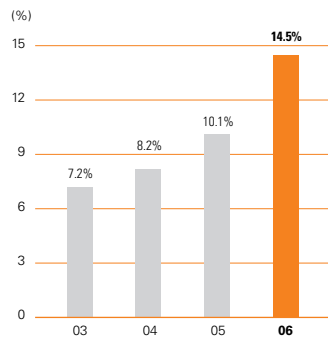
Chairman

Hong Kong, 18 April 2007



4.4% ^{上升}
_{up}

Return on Equity (%)
股本回報 (%)



韻 : 和諧
Yun

Chairman's Statement
主席報告書



Chairman's Statement

主席報告書

各位股東：

表現

本人欣然提呈自然美截至二零零六年十二月三十一日止年度之年度業績。年內，本集團營業額增加1.6%至363,700,000港元（二零零五年：357,900,000港元），主要由於台灣因經濟持續衰退以致表現欠佳，從而抵銷本集團中國大陸業務12.2%之營業額升幅。嚴謹成本控制措施及本集團於台灣提升品牌知名度的行動開始改善本集團下半年表現。因此，儘管台灣銷售額下跌16.4%，本集團於台灣之全年經營溢利增加4%至54,400,000港元。本集團年內純利由二零零五年81,000,000港元上升51.6%至122,800,000港元；而邊際純利則由二零零五年22.6%增加11.2個百分點至本年度33.8%。

本集團主要表現指標顯示年內表現令人滿意。經營業務邊際毛利及邊際純利均顯著改善。本集團股本回報由二零零五年10.1%大幅增長至二零零六年14.5%，而資產回報則由二零零五年8.9%上升至二零零六年12.7%。

於回顧期間，中國大陸產品銷售額增加14.3%至229,700,000港元，佔中國大陸總營業額95.7%；而服務收益則下跌27.5%至5,600,000港元。至於台灣方面，產品銷售額為97,300,000港元，佔本集團總收益84.8%，而二零零五年則為117,400,000港元或佔總營業額85.5%。服務收益則為17,400,000港元，佔本集團於區內收益之15.2%。

董事會議決宣派股利每股3.0港仙及特別股利每股1.25港仙，合共每股4.25港仙。連同先前宣派之中期股利，本年度股利合共為6.25港仙，年度派息率為102%。



業務回顧

產品邊際毛利因整體包裝成本下跌及利潤可觀之產品越趨普及而有所增加

於回顧期間，本集團於中國大陸及台灣之邊際利潤均有所改善。本集團非常受歡迎之優秀產品NB-1旗下產品訂價較高，帶來可觀產品邊際毛利。總括而言，本集團提升品牌之行動（其中產品包裝為重要一環）致令本集團成功減少容器種類數目。本集團於二零零六年年底已於重新包裝221項（二零零五年：60項）產品。因此，本集團有效將其產品與其最新品牌形象互相配合，而最重要的是，本集團已將於中國大陸之產品邊際毛利由二零零五年85.1%改善至二零零六年85.4%。

NB-1旗下產品及店舖形象成功提升帶動產品銷售額

除NB-1旗下產品利潤較高，且越趨普及外，NB-1旗下產品亦對本集團之增長攸關重要，錄得120,600,000港元或佔本集團年內產品銷售額36%。本集團相信，該等高訂價產品之銷售額大大受惠於本集團銷售渠道之獨有性。本集團成功於回顧期間完成為中國及台灣1,451間店舖提升店舖形象，亦有助推動年內產品銷售額，此乃由於顧客反應相當正面，加盟店更表示彼等能成功吸引到較高檔次之顧客。



繼續於中國擴充加盟經營網絡，而平均店舖銷售額亦有所增長

截至二零零六年十二月三十一日止，於大中華區及馬來西亞共有2,429間店舖。年內，本集團店舖總數增加308間，而本集團於中國之加盟水療中心合共1,591間。本集團繼續憑藉各種推廣媒體（包括電視廣告、雜誌及戶外廣告板以及網上招募及宣傳）提升本集團品牌知名度，最終提高本集團於中國招募新加盟店之能力，並同時擴充自然美之分銷網絡。於二零零六年，中國大陸平均每間店舖銷售額增加6.5%。自然美品牌正逐漸為中國大陸經濟增長迅速城市的年輕專業女性及中產家庭認定為優質專業美容護理產品及服務供應商。

就台灣業務而言，於二零零六年十二月三十一日，加盟店合共501間。本集團開始採取新措施增加本集團於台灣之零售店舖數目。於二零零六年底，本集團在台灣成功開拓161間新零售店舖，而本集團之目標為於二零零七年底將零售店舖總數增加至1,300間。本集團相信，就長遠發展而言，由於台灣加盟水療中心市場較中國大陸水療中心市場成熟及更具競爭力，此方法將與本集團台灣之增長策略相輔相成。

建立專業管理隊伍推動本集團日後增長

為支持本集團增長策略，本集團招聘主要管理人員，並已於本年初公佈委任楊王秀萍女士為中國大陸業務總裁以及委任蕭文聰先生為台灣及其他市場之業務總裁。憑藉彼等於美容及消費行業之分銷渠道及人事管理方面所累積豐富經驗，本集團相信，本集團將能另創高峰，並向實現本集團增加市場佔有率、加強本集團為大中華區專業美容產品及持牌培訓供應商的領導地位之目標邁進一大步。

展望

隨著產品、服務及品牌均有所改善，預期平均店舖銷售額持續增長

來年，本集團將專注培訓方面，以於中國大陸及台灣提供更多持牌美容師，從而提高本集團加盟店之生產力。本集團相信，儘管中國大陸經濟蓬勃增長，平均店舖銷售額將於來年因本集團提升品牌知名度及其產品之訂價能力而持續增長。本集團相信，其品牌地位有所提升，加上技巧純熟的持牌美容師，將確保服務質素，同時加強本集團加盟店之競爭優勢。

擴大中國大陸加盟經營網絡將成為主要策略重點

為擴大本集團產品接觸層面，本集團之目標為於二零零七年開設400間新店舖。本集團將透過提供各種特別是與市場推廣、宣傳及培訓相關的支持及獎勵計劃，鼓勵成功經營者開設新店舖。本集團15個培訓中心將於協助小型加盟店拓展及促進業務增長扮演舉足輕重的角色，以確保供應足夠持牌美容師。因此，本集團相信，確保本集團加盟店經營者向顧客提供優質產品與服務將帶動產品銷售額上升及促進自然美品牌知名度，從而令本集團受惠。

Chairman's Statement (Continued)

主席報告書(續)

中國大陸將繼台灣發展零售市場

本集團認為個人護理產品市場（特別是DIY護理產品市場）潛力龐大。並於二零零七年四月新推出「Fonperi」品牌之零售經營者於台灣之1,300個包括超級廣場及藥房等零售銷售點將為本集團帶來可觀收益。

本集團亦將以「Fonperi」品牌於中國大陸購買力強勁且個人護理產品需求殷切之選定城市開拓零售業務。本集團相信，有關零售策略將對本集團整體邊際利潤有利。

致謝

本人欣然向董事會成員、股東及業務夥伴年內鼎力支持及指導致以衷心謝意，亦感謝本集團管理層隊伍及僱員的竭誠服務及努力工作，致令本集團持續發展及擴充業務。

蔡燕玉博士

主席

香港，二零零七年四月十八日