

The directors of the Company present their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company acts as, an investment holding company. The Group is principally engaged in (a) manufacturing and selling of skin care, beauty and aromatherapeutic products and (b) provision of skin treatments, beauty and spa services and skin care consulting and beauty training. The principal activities of the Group's subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 14.

An interim dividend of HK\$0.0075 per share was paid to shareholders during the year. The directors recommend the payment of a final dividend of HK\$0.0175 per share to the shareholders on the register of members on 25 May 2005, amounting to approximately HK\$35,000,000. Details of the dividends are set out in note 10 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases for the year, respectively.

INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 31 December 2004 by an independent firm of professional property valuers on an open market value basis. Details of movements during the year in the investment properties of the Group are set out in note 12 to the financial statements.

Particulars of investment properties are set out in page 86.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

本公司董事提呈本公司及本集團截至二零零四年十二月三十一日止年度的年報及經審核財務報表。

主要業務

本公司為投資控股公司，本集團主要業務為(a)製造及銷售護膚、美容及香薰產品及(b)提供肌膚護理、美容及spa服務以及肌膚護理顧問服務及美容培訓。本集團附屬公司的主要業務載於財務報表附註35。

業績及分派

本集團於本年度的業績載於第14頁的綜合收益表。

於年內，本公司向股東派發每股0.0075港元之中期股利，董事建議向於二零零五年五月二十五日名列股東名冊之股東派發末期股利每股0.0175港元，合共約35,000,000港元，有關股利詳情載於財務報表附註10。

主要客戶及供應商

本集團五大客戶及供應商應佔總銷售額及採購額分別佔本集團本年度的總銷售額及採購額不足30%。

投資物業

本集團投資物業於二零零四年十二月三十一日由獨立專業物業估值師行按公開市值基準重新估值。有關本集團投資物業於年內的變動詳情載於財務報表附註12。

投資物業詳情載於第86頁。

不動產、廠場及設備

本集團於年內的不動產、廠場及設備的變動詳情載於財務報表附註13。

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Dr. Tsai Yen Yu (alias Dr. Tsai Yen Pin)
Mr. Lee Ming Ta (alias Mr. Lee Ming Tah)
Mr. Su Chien Cheng
Dr. Su Sh Hsyu

Independent non-executive directors:

Mr. Yeh Liang Fei
Mrs. Chen Shieh Shu Chen
Mr. Chen Ching (appointed on 21 September 2004)

Dr. Su Sh Hsyu, being the non-executive director of the Company was re-designated as Executive director of the Company effective 21 September 2004.

In accordance with Clause 117 the Company's articles of association, Mr. Lee Ming Ta and Mr. Su Chien Cheng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is currently appointed for a term of three years commencing from 11 March 2002, in the case of Messrs. Yeh Liang Fei and Chen Shieh Shu Chen and from 21 September 2004, in the case of Mr. Chen Ching.

股本

本公司股本的詳情載於財務報表附註26。

董事

於年內及截至本報告刊發日期止，本公司董事如下：

執行董事：

蔡燕玉博士（又名蔡燕萍博士）
李明達先生
蘇建誠先生
蘇詩琇博士

獨立非執行董事：

葉良輝先生
陳謝淑珍女士
譔清先生（於二零零四年九月二十一日獲委任）

本公司非執行董事蘇詩琇博士已調任為本公司執行董事，自二零零四年九月二十一日起生效。

根據本公司之公司組織章程細則第117條，李明達先生及蘇建誠先生將輪值告退，惟符合資格，並願於即將舉行之股東週年大會膺選連任。

獨立非執行董事葉良輝先生及陳謝淑珍女士現時任期由二零零二年三月十一日起為期三年，而譔清先生的任期則由二零零四年九月二十一日開始。

DIRECTORS' SERVICE CONTRACTS

The Company entered into a director's service contract with each of the executive directors which commenced from 11 March 2002, in the case of Dr. Tsai Yen Yu ("Dr. Tsai"), Mr. Lee Ming Ta ("Mr. Lee"), Mr. Su Chien Cheng ("Mr. Su") and from 21 September 2004 in the case of Dr. Su Sh Hsyu ("Dr. Su"). The Company also entered into a service contract with each of the independent non-executive directors, which commenced from 11 March 2002, in the case of Mr. Yeh Liang Fei and Mrs. Chen Shieh Shu Chen and from 21 September 2004, in the case of Mr. Chen Ching. The initial aggregate annual remuneration pursuant to such service contracts is HK\$2,988,000 (as to HK\$1,000,000 to Dr. Tsai, HK\$700,000 to Mr. Lee, HK\$600,000 to Mr. Su, HK\$600,000 to Dr. Su, HK\$20,000 to Mr. Yeh Liang Fei, HK\$20,000 to Mrs. Chen Shieh Shu Chen and HK\$48,000 to Mr. Chen Ching) subject to an annual increment at the discretion of the directors of not more than 10% of the annual remuneration immediately prior to such increase. For the year ended 31 December 2004, each of the executive directors and a non-executive director voluntarily agreed to waive their entitlement to certain remuneration of around HK\$2.8 million. The service contracts referred to above (except for Mr. Chen Ching) had expired on 10 March 2005. The Company is negotiating with each of the Directors (except Mr. Chen Ching) to renew the respective services contracts.

Each of Dr. Tsai, Mr. Lee, Mr. Su and Dr. Su is also entitled to a management bonus to be determined by the Board. The aggregate amount of the bonuses payable to these executive directors will not exceed 15% of the audited consolidated profit after taxation and minority interests but before extraordinary items of the Group in respect of that financial year of the Company. For the year ended 31 December 2004, the Board has decided not to pay any management bonus under the said service contracts.

Save as disclosed above, no director has any unexpired service contract which is not determinable by the Group within one year without payable of compensation, other than normal statutory obligations.

董事服務合約

各執行董事與本公司訂立董事服務合約，蔡燕玉博士（「蔡博士」）、李明達先生（「李先生」）及蘇建誠先生（「蘇先生」）之合約年期由二零零二年三月十一日開始；蘇詩琇博士（「蘇博士」）之合約年期由二零零四年九月二十一日開始。本公司亦與各獨立非執行董事訂立服務合約，葉良輝先生及陳謝淑珍女士之合約年期由二零零二年三月十一日開始；譚清先生之合約年期則由二零零四年九月二十一日開始。根據該等服務合約的首次年度酬金總額為2,988,000港元（蔡博士獲1,000,000港元、李先生獲700,000港元、蘇先生獲600,000港元、蘇博士獲600,000港元、葉良輝先生獲20,000港元、陳謝淑珍女士獲20,000港元及譚清先生獲48,000港元），董事每年可酌情增加酬金，惟增幅不得超過於緊接該增加前之年度酬金的10%。截至二零零四年十二月三十一日止年度，各執行董事及一名非執行董事自願同意豁免收取若干酬金額約2,800,000港元。上述服務合約（譚清先生除外）已於二零零五年三月十日屆滿。本公司現與各董事（譚清先生除外）重續各自之服務合約。

蔡博士、李先生、蘇先生及蘇博士亦可享有由董事會釐定之管理花紅。應付該等執行董事的花紅總額不得超逾本公司有關財政年度的本集團除稅及少數股東權益後但未計特殊項目前的經審核綜合溢利之15%。截至二零零四年十二月三十一日止年度，董事會已決定不會根據上述服務合約支付任何管理花紅。

除上文披露者外，各董事概無訂立任何於一年內免付補償（一般法定補償除外）而本集團不可終止的尚未屆滿服務合約。

Directors' Report

董事會報告書

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

董事於證券的權益

於二零零四年十二月三十一日，董事及彼等之聯繫人士於本公司及其相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）的股份、相關股份及債券中，擁有記錄於本公司根據證券及期貨條例第352條存置的登記冊，或根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）所載上市公司董事進行證券交易的標準守則（「標準守則」）知會本公司及聯交所的權益如下：

(a) Long positions in shares and underlying shares of the Company

Ordinary shares

(a) 於本公司股份及相關股份的好倉

普通股

Name of director 董事姓名	Number of ordinary shares 普通股數目				Percentage of the issued share capital of the Company 佔本公司已發行 股本百分比	Number of share options 購股權數目
	Personal interests 個人權益	Family interests 家族權益	Corporate interests 公司權益	Other interests 其他權益		
Dr. Tsai 蔡博士	-	-	1,500,000,000 (Notes 1) (附註1)	-	75.00%	-
Mr. Su 蘇先生	-	-	225,000,000 (Note 2) (附註2)	-	11.25%	-
Dr. Su 蘇博士	-	-	225,000,000 (Note 2) (附註2)	-	11.25%	-
Mr. Lee 李先生	-	1,500,000,000 (Note 1) (附註1)	-	-	75.00%	-

DIRECTORS' INTERESTS IN SECURITIES (continued)

Notes:

- (1) The two references to 1,500,000,000 shares relate to the same block of shares. Such shares are held by Efficient Market Investments Limited which is beneficially owned as to 70% by Dr. Tsai through Knightcote Enterprises Limited.

Mr. Lee, the spouse of Dr. Tsai, is deemed to be interested in 1,500,000,000 ordinary shares of the Company.

- (2) The two references to 225,000,000 shares are included in the 1,500,000,000 shares held by Efficient Market Investments Limited which Mr. Su and Dr. Su each have 15% beneficial interest through Knightcote Enterprises Limited. Mr. Su and Dr. Su are the son and daughter of Dr. Tsai respectively.

Other than as disclosed above, none of the directors, the chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO as at 31 December 2004.

董事於證券的權益 (續)

附註:

- (1) 以上兩次提述的1,500,000,000股股份指同一批股份。該等股份由Efficient Market Investments Limited持有，而Efficient Market Investments Limited則由蔡博士透過Knightcote Enterprises Limited實益擁有70%。

蔡博士之配偶李先生被視作擁有本公司1,500,000,000股普通股之權益。

- (2) 以上兩次提述的225,000,000股股份計入由Efficient Market Investments Limited持有的1,500,000,000股股份中，而蘇先生及蘇博士各於Efficient Market Investments Limited透過Knightcote Enterprises Limited佔有15%實益權益。蘇先生及蘇博士乃蔡博士子女。

除上文披露者外，於二零零四年十二月三十一日，概無董事、行政總裁或彼等之聯繫人士於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）的證券中擁有任何個人、家族、公司或其他權益。

SHARE OPTION SCHEME/DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 11 March 2002 (the "Share Option Scheme"), the Company may grant options to full-time employees (including executive or non-executive Directors) of the Company or its subsidiaries to subscribe for the Shares at a consideration of HK\$1 for each lot of share options granted. The Share Option Scheme will remain valid for a period of 10 years commencing on 11 March 2002. Options granted may be exercised during such period as would be determined by the board of directors of the Company (the "Board") and notified to each grantee upon grant of the option, but in any event not later than 10 years from the date of grant of the option. The subscription price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceed 10% of the number of Shares in issue as at the date of approval of the scheme (the "Scheme Mandate Limit"). The Company may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company (or its subsidiary) under the limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the limit. Options previously granted under the scheme (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

認股權計劃／董事購買本公司股份之權利

根據由日期為二零零二年三月十一日之本公司股東決議案批准之本公司認股權計劃（「認股權計劃」），本公司可向本公司或其附屬公司之全職僱員（包括執行董事或非執行董事）授出認股權，就每批授出認股權以代價1港元認購股份。認股權計劃將於二零零二年三月十一日起十年期間持續生效。認股權承授人可於本公司董事會（「董事會」）授出認股權時決定並知會承授人的期間行使認股權，惟在任何情況下，必須於授出認股權日期起計十年內行使。根據認股權計劃，董事會對於釐訂股份認購價有絕對酌情權，惟在任何情況下，認購價不得少於以下價格之較高者：(a)授出認股權日期（必須為營業日），股份在聯交所每日報價單所示的收市價；及(b)於緊接授出有關認股權日期前五個營業日，股份於聯交所每日報價單所示的平均收市價。

根據認股權計劃可能授出的認股權的有關股份數目，與任何其他計劃有關股份合計時，最多不得超過於計劃獲批准當日已發行股份數目之10%（「計劃授權限額」）。本公司可於股東大會上，向其股東徵求批准「重續」計劃規定之10%限額。然而，行使根據本公司（或其附屬公司）的所有計劃授出的所有認股權「重續」限額而可能發行的股份總數不得超過批准限額之日已發行股份的10%。先前根據計劃授出的認股權（包括根據計劃該等未行使、註銷及失效的認股權，或已行使認股權）不會計入「重續」限額內。

SHARE OPTION SCHEME/DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY (continued)

The Company may grant share options to specified participants over and above the Scheme Mandate Limit or the refreshed Scheme Mandate Limit referred to above subject to shareholders' approval in general meetings and the issue of a circular.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company (or the subsidiary) must not exceed 30% of the relevant class of securities of the Company (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the Company (or the subsidiary) if this will result in the limit being exceeded.

The total number of Shares issued and to be issued upon exercise of the options granted to a participant of the Share Option Scheme (including both exercised and outstanding options) in any 12-month period up to the date of grant to each participant shall not exceed 1% of the Shares in issue, and any further grant of options in excess of such limit shall be approved by shareholders in general meeting with such participant and his associates abstaining from voting. The Company must also send a circular to its shareholders.

No option had been granted by the Company under the Share Option Scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

認股權計劃／董事購買本公司股份之權利(續)

本公司可向指定參與者授出超過計劃授權限額或上文所述重續計劃授權限額的認股權，惟須取得股東在股東大會批准及刊發通函。

因根據認股權計劃及本公司(或附屬公司)任何其他計劃而授出發行在外但尚未行使的認股權獲行使而可予發行的股份總數，不得超過本公司(或附屬公司)不時已發行的有關類別證券的30%。如超過限額，則不得根據本公司(或附屬公司)的任何計劃授出認股權。

於直至向各參與者授出認股權之日止之任何十二個月期間，由一名參與者行使獲授認股權(包括已行使及未行使的認股權)而發行及將予發行的股份總數，不得超過已發行股份的1%，而進一步授出超過該限額之認股權須在股東大會上取得股東批准，而參與者及其聯繫人士須就此放棄投票。本公司另須向其股東寄發通函。

本公司自採納認股權計劃以來並無授出任何認股權。

除上文披露者外，於年內任何時間，本公司或其任何附屬公司並無參與訂立任何安排，致令董事可藉收購本公司或任何其他法人團體的股份或債券獲利，而董事、行政總裁或彼等任何配偶或十八歲以下子女亦無擁有任何權利可認購本公司證券或曾行使任何該等權利。

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, the following shareholders had notified the Company of relevant interests in the issued capital of the Company.

主要股東

於二零零四年十二月三十一日，本公司根據證券及期貨條例第336條存置的主要股東名冊顯示，以下股東已知會本公司彼等於本公司已發行股本的有關權益。

Long position in shares and underlying shares of the Company

Ordinary shares of HK\$0.10 each of the Company

於本公司股份及相關股份的好倉

本公司每股面值0.10港元的普通股

Name of shareholder 股東名稱	Notes 附註	Capacity 身分	Number of ordinary shares beneficially held 實益持有普通股數目	Percentage of the issued share capital of the Company 佔本公司已發行股本百分比
Efficient Market Investments Limited ("Efficient Market")	1	Beneficial owner 實益擁有人	1,500,000,000	75.00%
Knightcote Enterprises Limited ("Knightcote")	2	Beneficial owner and held by a controlled corporation 實益擁有人及由受控法團持有	1,500,000,000	75.00%
Dr. Tsai 蔡博士	3	Beneficial owner and held by a controlled corporation 實益擁有人及由受控法團持有	1,500,000,000	75.00%
Mr. Su 蘇先生	4	Beneficial owner and held by a controlled corporation 實益擁有人及由受控法團持有	225,000,000	11.25%
Dr. Su 蘇博士	5	Beneficial owner and held by a controlled corporation 實益擁有人及由受控法團持有	225,000,000	11.25%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Efficient Market is beneficially owned by Knightcote.
2. The controlled corporation, Knightcote, is beneficially owned by Dr. Tsai as to 70%, Mr. Su as to 15% and Dr. Su as to 15%.
3. These shares are attributable to Dr. Tsai in respect of her 70% interest in Knightcote.
4. These shares are attributable to Mr. Su in respect of his 15% interest in Knightcote.
5. These shares are attributable to Dr. Su in respect of her 15% interest in Knightcote.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2004.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 85.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 24 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualification and competence.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

主要股東 (續)

附註:

1. Efficient Market由Knightcote實益擁有。
2. 受控法團Knightcote分別由蔡博士、蘇先生及蘇博士實益擁有70%、15%及15%權益。
3. 由於蔡博士擁有Knightcote 70%權益，故該等股份屬彼所擁有。
4. 由於蘇先生擁有Knightcote 15%權益，故該等股份屬彼所擁有。
5. 由於蘇博士擁有Knightcote 15%權益，故該等股份屬彼所擁有。

除上文披露的權益外，於二零零四年十二月三十一日，本公司並無獲知會於本公司已發行股本之任何其他有關權益或淡倉。

五年概要

本集團過去五個財政年度之業績及資產和負債概要載於第85頁。

退休福利計劃

本集團退休福利計劃的資料載於財務報表附註24。

酬金政策

本集團僱員的酬金政策由董事會按彼等之貢獻、資歷及能力的基準而設立。

本公司董事酬金由股東於股東週年大會授權董事會，就本集團經營業績、個別表現及可資比較市場數據決定。

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2004, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (before it was replaced by the new Code on Corporate Governance Practices effective on 1 January 2005).

AUDITORS

Messrs. Arthur Andersen, PricewaterhouseCoopers and KPMG, acted as auditors of the Company for the years ended 31 December 2001, 2002, 2003, respectively. Subsequent to KPMG's resignation in 2004, Messrs. Deloitte Touche Tohmatsu were appointed auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By order of the Board
Dr. Tsai Yen Yu
Chairman

Hong Kong, 20 April 2005

優先購買權

本公司之公司組織章程細則或開曼群島法例並無有關優先購買權的條文，規定本公司須按比例向現有股東提呈發售新股份。

購買、出售或贖回本公司上市證券

截至二零零四年十二月三十一日止年度，本公司並無贖回，而本公司或其任何附屬公司亦無購買或出售本公司任何上市證券。

企業管治

本公司於截至二零零四年十二月三十一日止年度一直遵守香港聯合交易所有限公司證券上市規則附錄14所載最佳應用守則（於二零零五年一月一日以新企業管治常規守則取代前）。

核數師

安達信公司、羅兵咸永道會計師事務所及畢馬威會計師事務所分別於截至二零零一年、二零零二年及二零零三年十二月三十一日止年度擔任本公司核數師。自畢馬威會計師事務所於二零零四年辭任後，德勤•關黃陳方會計師行獲委任為本公司核數師。

本公司將於股東週年大會提呈決議案，以續聘德勤•關黃陳方會計師行為本公司核數師。

承董事會命
蔡燕玉博士
主席

香港，二零零五年四月二十日