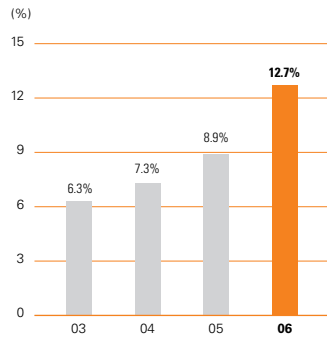




3.8% 上升  
up

**Return on Assets (%)**  
資產回報 (%)



氣

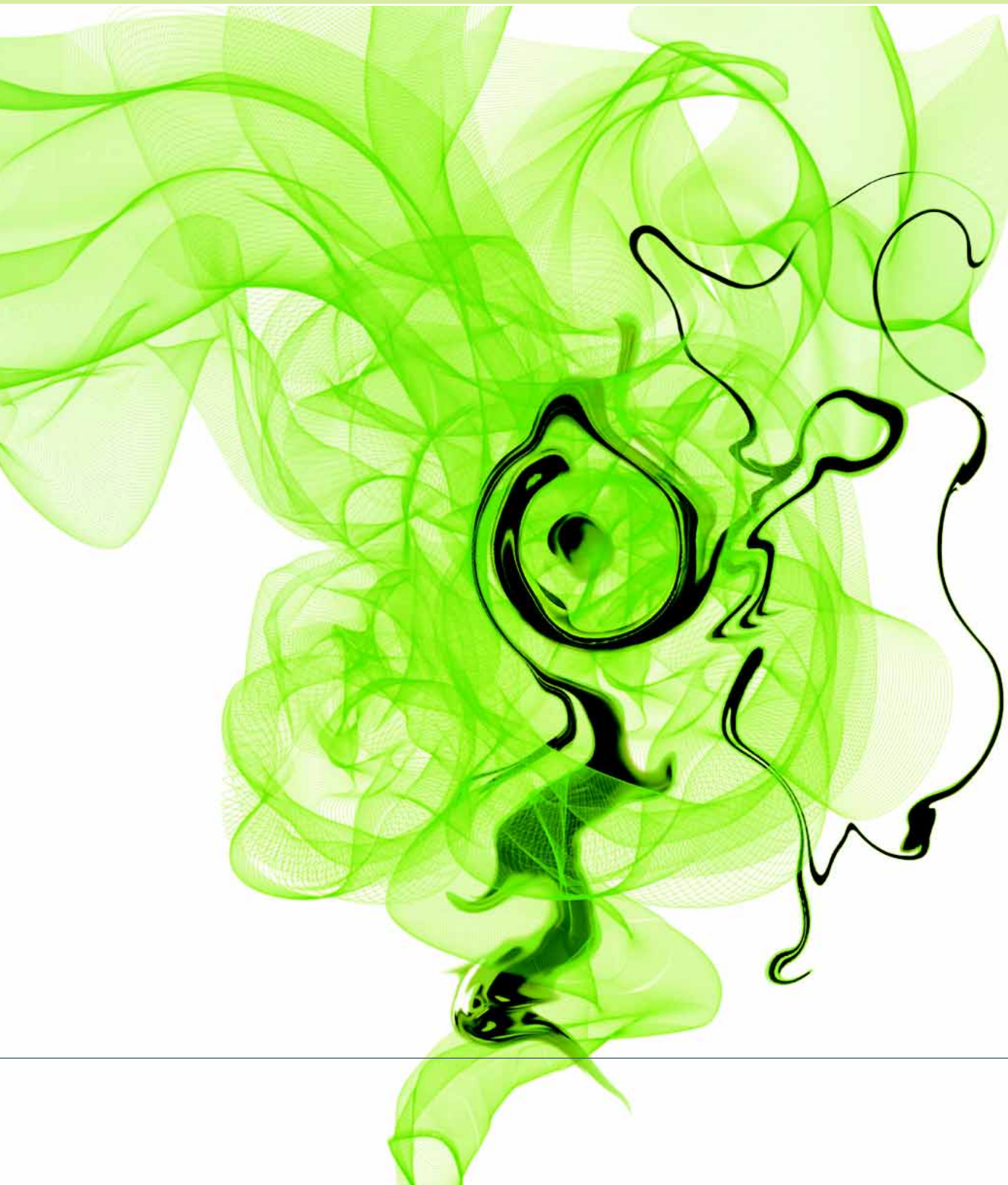
: 氣質

Qi



# Management Discussion and Analysis

管理層討論及分析



# Management Discussion and Analysis

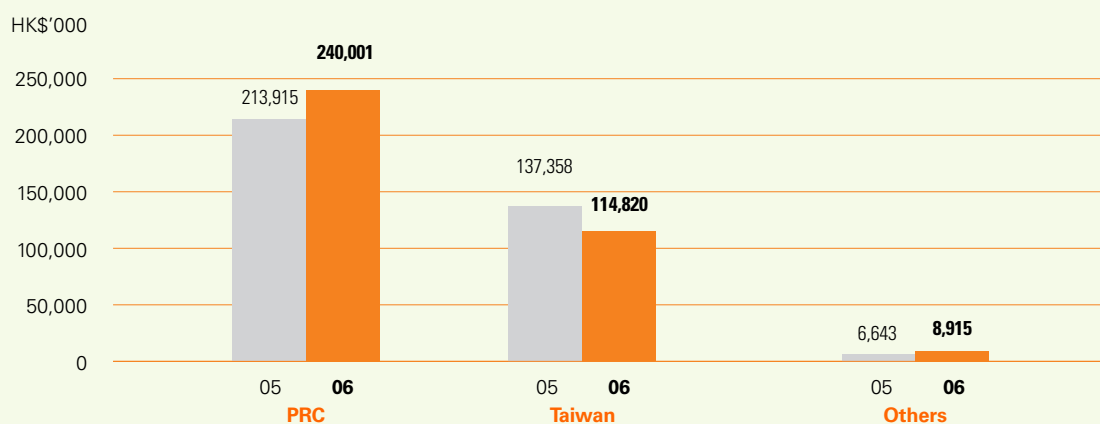
## 管理層討論及分析

### Financial Review

#### Turnover by geographical region

	2006		2005		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	<b>240,011</b>	<b>66.0%</b>	213,915	59.8%	26,096	12.2%
Taiwan	<b>114,820</b>	<b>31.6%</b>	137,358	38.4%	(22,538)	-16.4%
Others	<b>8,915</b>	<b>2.4%</b>	6,643	1.8%	2,272	34.2%
<b>Total</b>	<b>363,746</b>	<b>100.0%</b>	<b>357,916</b>	<b>100.0%</b>	<b>5,830</b>	<b>1.6%</b>

#### Turnover by Geographical Region



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)



	2006	2005	2006	2005	Changes	Changes
Average sales per store	Average store*	Average store*	Average sales per store HK\$	Average sales per store HK\$	HK\$	%
PRC	1,626.0	1,533.5	148,000	139,000	9,000	6.5%
Taiwan	603.5	530.0	190,000	259,000	(69,000)	-26.6%
<b>Group total**</b>	<b>2,275.0</b>	<b>2,083.5</b>	<b>160,000</b>	<b>169,000</b>	<b>(9,000)</b>	<b>-5.3%</b>

\* 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.

	2006	2005	2006	2005	Changes	Changes
Average sales per store	Average store*	Average store*	Average sales per store HK\$	Average sales per store HK\$	HK\$	%
PRC	1,626.0	1,533.5	148,000	139,000	9,000	6.5%
Taiwan***	523.0	530.0	220,000	259,000	(39,000)	-15.1%
<b>Group total**</b>	<b>2,194.5</b>	<b>2,083.5</b>	<b>166,000</b>	<b>169,000</b>	<b>(3,000)</b>	<b>-1.8%</b>

\* 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.

\*\*\* Excluded 161 new retail outlets at the end of 2006



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

Turnover has slightly increased by 1.6% to HK\$363.7 million in 2006 compared to HK\$357.9 million in 2005. Robust sales growth in the PRC market (total turnover increased by 12.2% to 240.0 million) offset the decrease in turnover in Taiwan due to economic recession in the Taiwan market. The Group's average sales per store decreased by 5.3% from HK\$169,000 in 2005 to HK\$160,000 in 2006 as 161 retail outlets in Taiwan were added by the end of year. If these new retail outlets were excluded, the decrease in average store sales would have narrowed to 1.8% to HK\$166,000.

Turnover in the PRC surged 12.2% or HK\$26.1 million to HK\$240.0 million due to the increase in product sales by HK\$28.8 million, representing a year-on-year growth of 14.3% that is attributable to effective brand and store image revamp program that has commenced in April 2005. As at the end of the reporting period, approximately 1,066 stores of the Group have completed or are in the process of revamping in the PRC market. As a result, average store sales recorded a further growth of 6.5% in the PRC, from HK\$139,000 in 2005 to HK\$148,000 in 2006.

In Taiwan, turnover for the year decreased by 16.4% or HK\$22.5 million to HK\$114.8 million in 2006 as compared to HK\$137.3 million in 2005. The drop in turnover was mainly due to recessionary contraction in Taiwan. On the other hand, the Group has just started its store revamp program in Taiwan at the end of the first quarter of 2006 (385 stores completed the revamping exercises as at 31 December 2006) and the effect has yet to be realized.

Other markets, specifically, Hong Kong and Malaysia, include 1 store in Hong Kong and 50 stores in Malaysia as at 31 December 2006. These regions remained generally immaterial and account for approximately 2% of total turnover to the Group.

The overall gross profit margin of the Group increased from 79.5% in 2005 to 81.1% in 2006.



Management Discussion and Analysis (Continued)  
 管理層討論及分析(續)

<b>BY ACTIVITIES</b>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>	<b>Variance</b> <i>HK\$'000</i>	<b>Variance</b> %
<b>Products</b>				
PRC	<b>229,740</b>	200,979	28,761	14.3%
Taiwan	<b>97,374</b>	117,375	(20,001)	-17.0%
Others	<b>7,446</b>	4,493	2,953	65.7%
Total	<b>334,560</b>	322,847	11,713	3.6%
<b>Services</b>				
PRC	<b>5,567</b>	7,681	(2,114)	-27.5%
Taiwan	<b>17,446</b>	19,983	(2,537)	-12.7%
Others	<b>1,469</b>	2,150	(681)	-31.7%
Total	<b>24,482</b>	29,814	(5,332)	-17.9%
<b>Entrustment</b>				
PRC	<b>4,704</b>	5,255	(551)	-10.5%
Taiwan	-	-	-	n/a
Others	-	-	-	n/a
Total	<b>4,704</b>	5,255	(551)	-10.5%

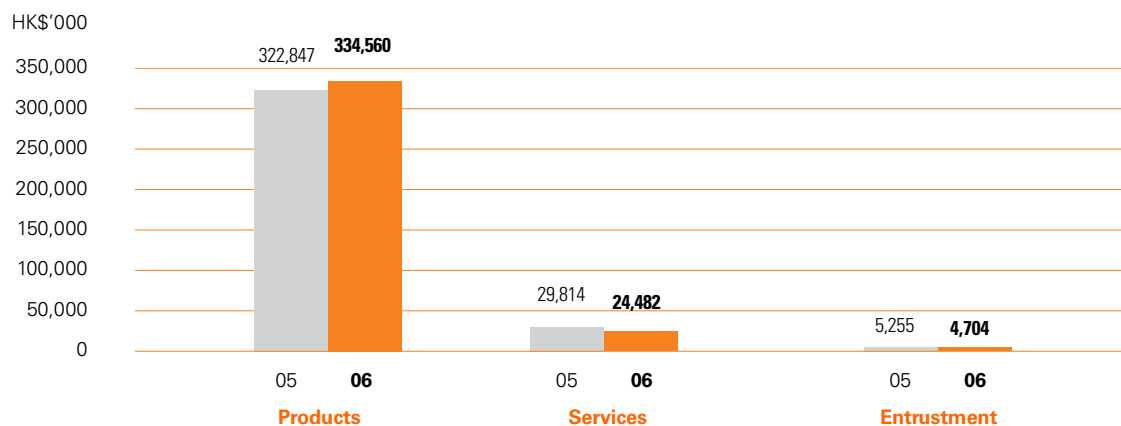


## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

Turnover by activities	2006		2005		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Products	<b>334,560</b>	<b>92.0%</b>	322,847	90.2%	11,713	3.6%
Services	<b>24,482</b>	<b>6.7%</b>	29,814	8.3%	(5,332)	-17.9%
Entrustment	<b>4,704</b>	<b>1.3%</b>	5,255	1.5%	(551)	-10.5%
<b>Total</b>	<b>363,746</b>	<b>100.0%</b>	<b>357,916</b>	<b>100.0%</b>	<b>5,830</b>	<b>1.6%</b>

#### Turnover by Activities



#### Products

The Group manufactures and sells several types of products, namely skin care products, beauty products, aromatherapeutic products and health supplements, under the NB and Bio-up brand names. Product sales, as the Group's key revenue contributor, are primarily made through spas and dedicated counters and are the Group's key revenue contributor, accounting for HK\$334.6 million, or 92.0% of total revenue in 2006, compared to HK\$322.8 million, or 90.2% in 2005.

The increase in products sales was mainly attributable to the HK\$28.8 million growth from the PRC market as a result of the successful brand revamping program, including the overall brand image, franchised store image and new product packaging. 221 products in the PRC were repackaged by the end of 2006. These initiatives successfully increased the product gross margins by 0.5% to 85.8% compared to 85.3% in the corresponding period of last year. The Group will continue to increase its margins by further enhancing its package revamp exercise.

Other markets in Hong Kong and Malaysia and only accounted for 2.2% of total product sales for the year.

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

Service income	2006		2005		Changes	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Training income	1,975	8.1%	1,557	5.2%	418	26.8%
SPA service income	12,110	49.5%	16,518	55.4%	(4,408)	-26.7%
Management fee income	8,503	34.7%	8,093	27.1%	410	5.1%
Others	1,894	7.7%	3,646	12.3%	(1,752)	-48.1%
<b>Total</b>	<b>24,482</b>	<b>100.0%</b>	<b>29,814</b>	<b>100.0%</b>	<b>(5,332)</b>	<b>-17.9%</b>

#### Services

Service income includes 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 as well as 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. During the year, income from these services decreased by 26.7% to HK\$12.1 million compared to that of 2005, mainly attributable to the reduction of service income in the PRC, Hong Kong and Taiwan markets. As one of the spas in the PRC market were forced to close down during 2006 due to the Shanghai government's redevelopment plan, service revenue generated from the PRC decreased by HK\$2.1 million. Service revenue of the spa operations in Hong Kong reported a reduction of HK\$0.6 million due to the closure of a spa since 1 January 2006. Service revenue of the Taiwan market also reduced by HK\$2.5 million due to the economic recession and political instabilities during 2006.

While self-owned stores are necessary to be established as model spas in new markets, the Group considers it will be more profitable and cost-efficient as a whole to allocate resources to stimulate overall product sales.

Nevertheless, the service income generated from training income increased by 26.8% to HK\$2.0 million during the year under review, as a result of additional advertising of beauty courses through CCTV-MTV music award sponsorship and other media exposure.

Management fees received from the franchisees also increased by 5.1% to HK\$8.5 million, mainly due to the quarterly management fee received from franchisees from PRC.

Other service income represented forfeited franchisee deposits and other service related income. The decrease was mainly due to the one-off forfeiture of franchisee deposits in Taiwan which amounted to HK\$1.5 million in 2005.

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### **Entrustment**

Entrusted spas are owned by the Group and operated by reputable operators. The spas were previously operated by the Group. 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 will sell the Group's products in their stores, while the Group receives a fixed annual entrustment fee.

The Group believes the entrustment arrangement is mutually beneficial 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 decreased 10.5% to HK\$4.7 million in 2006 compared to HK\$5.3 million in 2005. The drop in entrustment income was because certain entrustment arrangements were expired during the year.

#### **Other income**

Other income mainly represented the rental income of HK\$6.2 million, interest income of HK\$4.3 million, financial refunds of HK\$26.5 million and increase in fair value of investment properties of HK\$0.3 million and others for the remaining balance. Other income increased by 9.7%, or HK\$4.2 million from HK\$43.1 million in 2005 to HK\$47.3 million in 2006. The increase is mainly attributable to the increase in financial refund in PRC of HK\$6.9 million due to higher operating profits of PRC subsidiaries; and increase in interest income of HK\$1.0 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 decreased from 35.7% in 2005 to 27.9% in 2006. The total costs decreased by HK\$26.3 million, from HK\$127.7 million in 2005 to HK\$101.4 million in 2006. Despite of our increased advertising exposure in various media, the Group's advertising costs and promotional expenses reduced by HK\$31.1 million to HK\$46.0 million in 2006. Advertising and promotional expenses as a percentage of turnover decreased from 21.6% in 2005 to 14.1% in 2006.

On the other hand, administrative expenses as a percentage of turnover decreased from 17.3% in 2005 to 16.3% in 2006. The cost mainly covered salary, legal and professional fee, depreciation and rental charges. The amount reduced by HK\$2.5 million to HK\$59.5 million in 2006 compared to HK\$62.0 million in 2005, due to the impairment loss on goodwill made in 2005 amounted to HK\$2.1 million.

#### **Other operating expenses**

Other operating expenses in 2006 totaled HK\$6.9 million, reduced by 62.2% compared to HK\$18.2 million in 2005, mainly represented the written off of inventory of HK\$1.5 million, loss on disposal of fixed assets of

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

HK\$0.6 million, bank charges of HK\$1.8 million and exchange loss of HK\$1.4 million which mainly generated from the dividend and withholding taxes paid outside HK. The main reason for the fluctuation as compared to last year was a HK\$3.3 million reduction in the loss of disposal of fixed assets, primarily resulting from the shop revamping exercises in PRC in the previous year. In addition, inventory provision of HK\$7.0 million was charged in 2005, partly due to the product repackaging initiative.

#### **Profit before taxation**

The increase in gross profit, other income, in couple with the savings in distribution and administrative cost, as well as decrease in other operating expenses, has led to 45.6% surge in profit before tax, from HK\$119.8 million in 2005 to HK\$174.5 million in 2006.

#### **Taxation**

Taxation expenses increased 33.0% from HK\$38.8 million in 2005 to HK\$51.6 million in 2006. The increase of taxation is mainly due to the higher profits tax paid for the growth in PRC profits. The effective tax rate of the Group for financial year ended 31 December 2005 and 2006 were 32.4% and 29.6% respectively. The drop in effective tax rate is due to effective tax planning in the PRC. The relatively high effective tax rate is attributable to taxes being withheld on dividends paid by our Taiwan subsidiaries when the dividends were paid outside of Taiwan. The total withheld tax expense charged by Taiwan tax authority amounted to HK\$3.8 million in 2006 (2005: HK\$3.2 million).

#### **Net profit for the year**

As a result, the net income for the year increased by 51.6% from HK\$81.1 million in 2005 to HK\$122.8 million in current year.

#### **Liquidity and financial resources**

Cash generated from operations for 2006 was approximately HK\$150.4 million (2005: HK\$220.2 million). The decrease was primarily due to the changes in working capital. As at 31 December 2006, the Group had bank balances and cash of approximately HK\$356.2 million (2005: HK\$338.7 million) and trading securities (which are mainly quasi-money market funds) of approximately HK\$27.7 million (2005: HK\$26.5 million) with no external bank borrowing.

In terms of gearing, as at 31 December 2005 and 2006, 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 2005 and 2006 were 5.3 times and 5.7 times respectively. As at 31 December 2006, 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.

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### Charges on assets

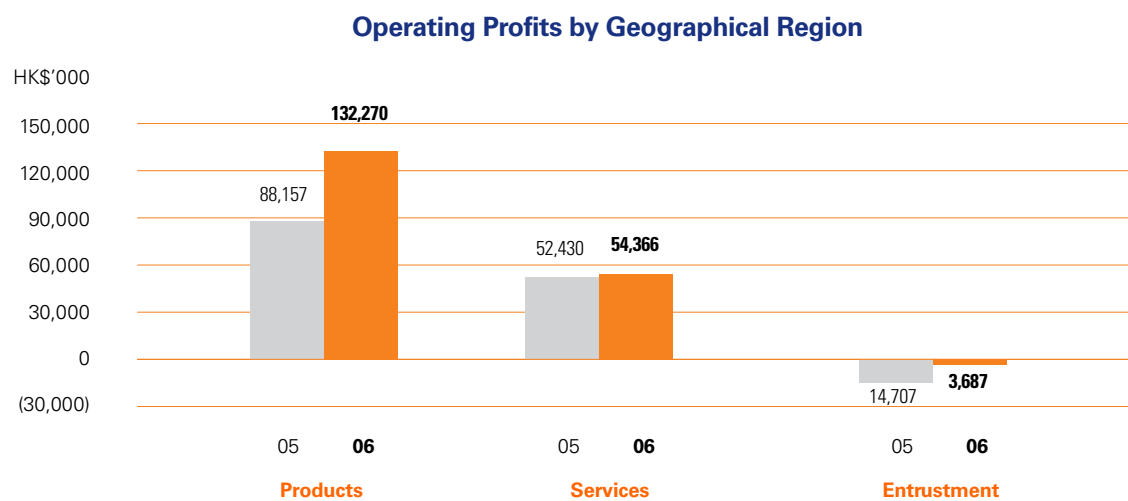
Certain freehold investment properties of the Group with a carrying amount of HK\$157.8 million (2005: HK\$155.3 million) are pledged to a bank. The banking facilities granted by the bank were terminated in 2002 and the charge will be released upon the disposal of the investment properties subsequent to the balance sheet date.

#### 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 2006, approximately 66.9% (2005: 68.1%) of the Group's bank balances and cash was denominated in Renminbi, while approximately 22.2% (2005: 21.4%) was denominated in New Taiwan Dollar and the remaining 10.9% (2005: 10.5%) 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

By geographic region	2006 HK\$	2005 HK\$	Variance HK\$	Variance %
<b>PRC</b>				
Turnover-Product sales	229,740	200,979	28,761	14.3%
Turnover-Service	5,567	7,681	(2,114)	-27.5%
Turnover – Entrustment	4,704	5,255	(551)	-10.5%
PRC Total	240,011	213,915	26,096	12.2%
<b>Taiwan</b>				
Turnover-Product sales	97,374	117,375	(20,001)	-17.0%
Turnover-Service	17,446	19,983	(2,537)	-12.7%
Turnover – Entrustment	–	–	–	n/a
Taiwan Total	114,820	137,358	(22,538)	-16.4%
<b>Others</b>				
Turnover-Product sales	7,446	4,493	2,953	65.7%
Turnover-Service	1,469	2,150	(681)	-31.7%
Turnover – Entrustment	–	–	–	n/a
Others Total	8,915	6,643	2,272	34.2%



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### PRC Market

The Group has implemented its brand revamping exercise since 2005. During the year of 2006, the benefits of the programme has started to appear in the growth of product sales. The Group's product sales in the PRC increased 14.3% to HK\$229.7 million. Gross margin of product sales also recorded a slight improvement from 85.1% to 85.4% in current year.

Our entrustment strategy continued to pay off. The Group entrusted its spas to reputable operators in established areas to enhance cost-efficiency. Entrustment fees and product revenue from the operators has minimized the loss incurred in the initial stage of entrustment programme. Hence the Group's overall gross profit in the PRC increased by HK\$25.1 million and the overall gross margin significantly increased from 80.1% to 81.9% in 2006, representing a year-on-year growth of 1.8 percentage points although service revenue and entrustment income have both declined by HK\$2.1 million and HK\$0.6 million respectively.

Other operating income was mainly driven up by tax refund, hence operating profit and net profit, have surged by 50.0% and 56.0% respectively in current year, to HK\$132.3 million and HK\$89.2 million respectively. While operating margin improved from 41.2% in 2005 to 55.1% in 2006, the overall net margin in the PRC also improved from 26.7% in 2005 to 37.2% in 2006.

#### Taiwan Market

Taiwan has been in economic recession during current year and our brand revamp exercise for Taiwan market has only commenced at the end of the first quarter of 2006. As a result, product sales in Taiwan dropped 17.0% to HK\$97.4 million in 2006. Taiwan started the product repackaging process during the year and as a result, the product sales gross margin recorded an improvement from 88.0% in 2005 to 91.2% in 2006. The overall gross margin also recorded a slight improvement from 83.1% in 2005 to 84.9% in current year.

Despite of the drop in the turnover and gross profit in Taiwan, the cost saving in advertising expenses of HK\$14.0 million and has resulted in the growth of operating profit by 3.7%, or HK\$1.9 million in 2006, driving up the operating margin from 38.2% in 2005 to 47.3% in 2006. Net profit improved by 3.4%, or HK\$1.6 million, to HK\$48.8 million in current year while overall net margin in Taiwan has improved from 34.3% in 2005 to 42.5% in 2006.

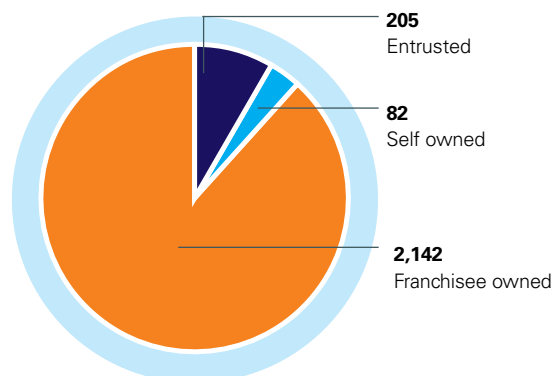
Management Discussion and Analysis (Continued)  
 管理層討論及分析(續)

**Distribution channels**

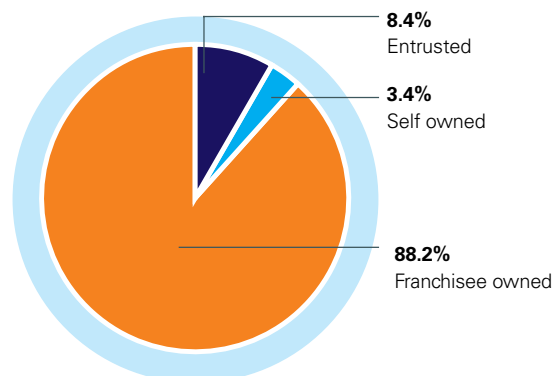
Store Number by Ownership As at 31 December 2006	Franchisee			Total Spa	Entrusted Counter	Self		Grand Total
	owned Spa	Entrusted Spa	Self owned Spa			owned Counter	Total Counter	
Taiwan	501	-	9	510	161	-	161	671
PRC	1,591	24	5	1,620	20	67	87	1,707
Others	50	-	1	51	-	-	-	51
<b>Total</b>	<b>2,142</b>	<b>24</b>	<b>15</b>	<b>2,181</b>	<b>181</b>	<b>67</b>	<b>248</b>	<b>2,429</b>

Store Number by Ownership As at 31 December 2006	Franchisee owned	Entrusted	Self owned	Total
Taiwan	501	161	9	671
PRC	1,591	44	72	1,707
Others	50	-	1	51
<b>Total</b>	<b>2,142</b>	<b>205</b>	<b>82</b>	<b>2,429</b>

**Store Number by Ownership(2,429)**



**Store Number by Ownership(%)**





## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

The Group principally derives income through our unique distribution channels, namely spas and counters in department stores. As at 31 December 2006 there are 2,429 store outlets, of which 2,181 are spas and 248 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.

As of 31 December 2006, there were total 2,142 franchisee spas and there were 15 spas and 67 counters directly operated by the Group. There were also 24 spas and 181 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 is a need 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, which will incur higher distribution costs compared to franchisees. The Group has therefore entrusted certain of our spas in explored markets to reputable operators and will evaluate the need of self-owned spas in selective areas.

This entrustment strategy in PRC is proved successful as the overall gross margin has improved from 80.1% in 2005 to 81.9% in 2006, with an additional contribution of HK\$25.1 million for current year.

#### **Revamp Brand Image**

We recognized the needs to proactively transform our brand image to maintain our competitive edge. The brand revamp can be summarized in the four main areas:

- New Professional Management
- Store-Front Revamp of Existing Franchised Spas
- Product Repackaging
- Investor Relations

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### **New Professional Management**

In order to cope with our business growth in the years ahead, the Group has further strengthened our management team. The new Chief Operating Officer in Taiwan and other markets and Chief Operating Officer in China joined the Group in late 2006 and January 2007 respectively. The Group believes that the breadth and depth of the knowledge and experiences of this management team will enable the group to achieve new heights in the industry.

#### **Store-Front Revamp of Existing Franchised Spas**

As the Group has a vast network of franchised spas, while considering the lengthy process for all the franchisees to renovate their spas according to the Group's new franchised store image, the Group has therefore introduced an interim arrangement where the franchisees will be able to revamp their spa with minimum efforts and financial resources by unifying all the shop signs to our award-winning revamped corporate identity. As of 31 December 2006, 1,136 spas in China and 315 spas in Taiwan (totaling 1,451) have completed their store revamp exercise.

#### **Product Repackaging**

The Group's brand revamp exercise is also extended to product packaging. In order to have a consistent image, the Group has re-designed all its product packages and simplified the package type of over 200 various forms for more than 700 types of products to 24 standard forms only. A total of 221 (2005: 60) products have changed their product packages by the end of 2006. This has led to a slight improvement of profit margin in the PRC products to 85.4% in 2006 as compared to 85.1% in 2005. We will continue to repackage our existing product lines by phases in 2007 and 2008.

#### **Investor Relations ([www.nblife.com/ir](http://www.nblife.com/ir))**

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. The website, also has a Business-to-Business ("B2B") portal for franchisees to order their goods online.

We also recently enhanced our corporate/investor relations section of our website, which is bilingual in English and Chinese to better communicate with investors.

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)



[www.nblife.com/ir](http://www.nblife.com/ir)

#### **Logistics**

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.

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 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.

Since customers of the spas are regular customers and tend to adhere to the same product lines over years, that was best for their skin types and conditions. Most of our research and development expenses are spent on the extension of existing product lines. Therefore, our research and development expenses are relatively lower than cosmetic companies.

The total research & development cost for the year ended 31 December 2006 amounted to HK\$2.0 million (2005: HK\$1.3 million).

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### **New 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 2006, there were over 162,000 sets / bottles (2005: 45,000 sets / bottles) of NB-1 family products were sold with a turnover of HK\$120.6 million (2005: HK\$45.8 million), which accounted for over one-third of the total product sales during 2006.

In 2006, the Group continued to enrich its product range and launched 36 new products during the year under review.

#### **New Promotional Channels**

The group also planned to expand its promotional channels through campus mailer to 50 universities in Beijing, Guangzhou and Shanghai, which consist of approximately 400,000 female population. The mailers will be delivered to each room in student dormitories. Posters associated with the mailers will also be used in each cafeteria and classroom across all campuses. In addition, we will hold campus beauty classes and celebrity events to promote the mailers. This is expected to be an efficient promotional channel for targeting potential NB customers and building brand awareness in tomorrow's customers.

#### **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 2007.



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### **Human Resources**

As at 31 December 2006, the Group had a total of 893 employees, of which 693 were based in PRC, 183 in Taiwan and 17 in other areas. Total remuneration (excluding directors' emoluments) for the year ended 31 December 2006 was appropriately HK\$58.4 million (2005: HK\$62.7 million), including retirement benefits cost of HK\$6.1 million (2005: HK\$6.0 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 provide 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 has adopted a share option scheme on 11 March 2002, to incentivize and reward 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\$11.3 million additions to fixed assets in 2006 (2005: HK\$24.9 million), of which in 2005 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.

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### Future Plans and Strategies

Natural Beauty's has been the leading professional beauty products & spa services provider in Greater China and will continue to maintain its leading position in Taiwan spa market and develop retail market in Taiwan and focusing on capturing the fast expanding PRC market.

The Group has defined plans for expansion and also plans to maximize our revenues and profitability.

Strategies for the expansion of franchise network:

- Expand retail distributions in Taiwan through 1,300 outlets and initiate retail in China
- Expand training to provide more licensed beauticians to our franchisees
- To increase 400 stores in 2007

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.

#### Outlook

##### China

With the robust growth of the China GDP of around 10% and increasing population of the affluent Chinese female consumers, we believe the market size of our spa business is constantly growing, especially in the anti-aging, whitening and well-being aspects. As there are still many areas in China we believe we have not fully explored, we will continue to expand our network to fortify our leading position in the franchise spa arena. We will also leverage on our Taiwan experience to explore the retail market in the second half of this year.

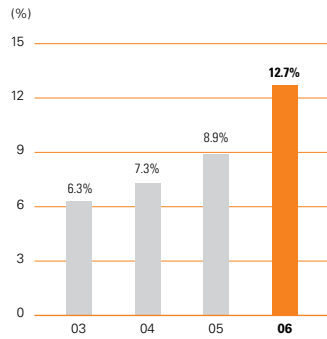
##### Taiwan

With the approaching of the Taiwan presidential election, we envisage the economy of Taiwan will be bottomed out later this year. We will maintain our leading position in Taiwan spa market and our "Fonperi" retail brand products are expected to be our key growth driver for our Taiwan businesses in 2007.



3.8% 上升  
up

**Return on Assets (%)**  
資產回報 (%)



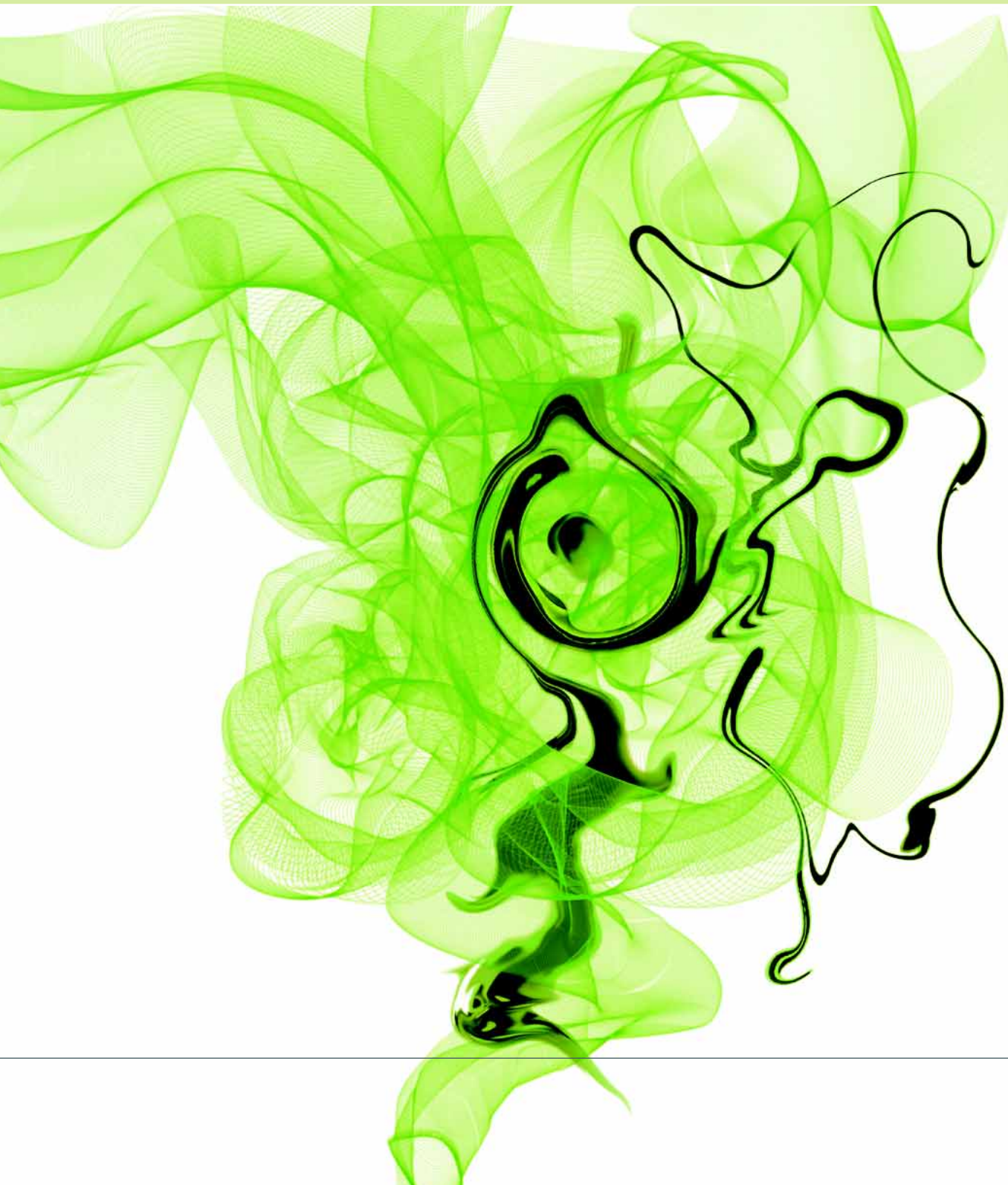
氣 : 氣質  
Qi





# Management Discussion and Analysis

管理層討論及分析



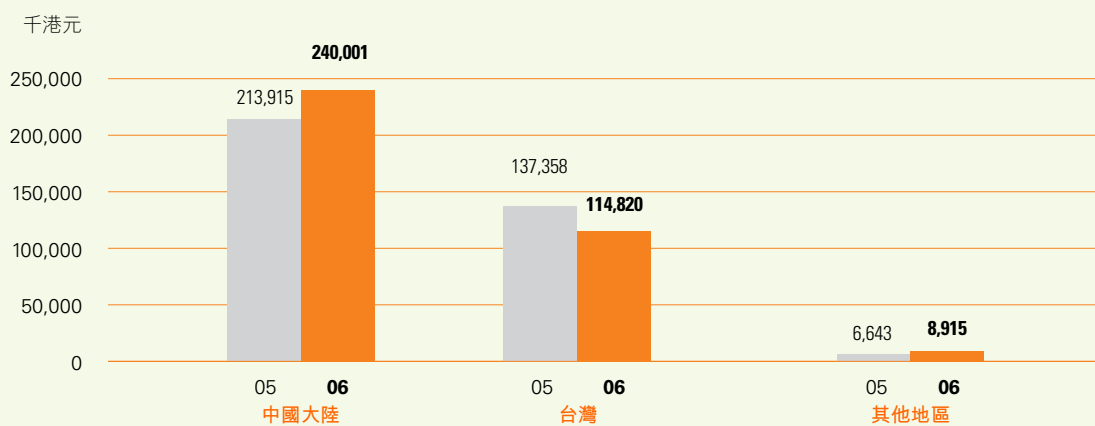
# Management Discussion and Analysis

## 管理層討論及分析

### 財務回顧

按地或劃分之營業額	二零零六年		二零零五年		變動	
	千港元	%	千港元	%	千港元	%
中國大陸	<b>240,011</b>	<b>66.0%</b>	213,915	59.8%	26,096	12.2%
台灣	<b>114,820</b>	<b>31.6%</b>	137,358	38.4%	(22,538)	-16.4%
其他地區	<b>8,915</b>	<b>2.4%</b>	6,643	1.8%	2,272	34.2%
<b>總計</b>	<b>363,746</b>	<b>100.0%</b>	<b>357,916</b>	<b>100.0%</b>	<b>5,830</b>	<b>1.6%</b>

### 按地域劃分之營業額



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)



店舖平均銷售額	二零零六年 平均店舖 數目*	二零零五年 平均店舖 數目*	二零零六年 店舖平均 銷售額 港元	二零零五年 店舖平均 銷售額 港元	變動 港元	變動 %
中國大陸	<b>1,626.0</b>	1,533.5	<b>148,000</b>	139,000	9,000	6.5%
台灣	<b>603.5</b>	530.0	<b>190,000</b>	259,000	(69,000)	-26.6%
<b>集團總計**</b>	<b>2,275.0</b>	<b>2,083.5</b>	<b>160,000</b>	<b>169,000</b>	<b>(9,000)</b>	<b>-5.3%</b>

\* 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

店舖平均銷售額	二零零六年 平均店舖 數目*	二零零五年 平均店舖 數目*	二零零六年 店舖平均 銷售額 HK\$	二零零五年 店舖平均 銷售額 HK\$	變動 HK\$	變動 %
中國大陸	<b>1,626.0</b>	1,533.5	<b>148,000</b>	139,000	9,000	6.5%
台灣***	<b>523.0</b>	530.0	<b>220,000</b>	259,000	(39,000)	-15.1%
<b>集團總計**</b>	<b>2,194.5</b>	<b>2,083.5</b>	<b>166,000</b>	<b>169,000</b>	<b>(3,000)</b>	<b>-1.8%</b>

\* 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

\*\*\* 不包括二零零六年年底之 161 間新零售店舖



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

營業額由二零零五年357,900,000港元輕微上升1.6%至二零零六年363,700,000港元。中國大陸市場有強勁銷售增長，總營業額增加12.2%至240,000,000港元，抵銷了因台灣市場經濟衰退而導致源自台灣之營業額減幅。本集團的店鋪平均銷售額由二零零五年169,000港元減少5.3%至二零零六年160,000港元，乃由於年底在台灣增設161間零售店鋪所致。倘不包括該等新開設零售店鋪，店鋪平均銷售額將減少1.8%至166,000港元。

中國大陸營業額急升12.2%或26,100,000港元至240,000,000港元，乃由於產品銷售額增加28,800,000港元，按年增長14.3%。產品銷售額增加乃歸因於本公司自二零零五年四月起展開有效的品牌及店鋪形象提升計劃所帶動。於報告期終，本集團於中國大陸市場約1,066間店鋪已完成或在進行翻新工程中。因此，店鋪平均銷售額錄得進一步增長，由二零零五年139,000港元增加6.5%至二零零六年148,000港元。

於台灣，本年度營業額由二零零五年137,300,000港元減少16.4%或22,500,000港元至二零零六年114,800,000港元。營業額減少主要歸因於台灣經濟衰退所致。另一方面，本集團於二零零六年首季末在台灣展開翻新店鋪計劃，故效益尚待體現。於二零零六年十二月三十一日，385間店鋪已完成翻新工程。

其他市場，特別是香港及馬來西亞，於二零零六年十二月三十一日，包括於香港之一間店鋪及於馬來西亞之50間店鋪。一般而言，該等地區的業務並不重大，佔本集團總營業額約2%。

本集團之整體邊際毛利率由二零零五年79.5%上升至二零零六年81.1%。



Management Discussion and Analysis (Continued)  
 管理層討論及分析(續)

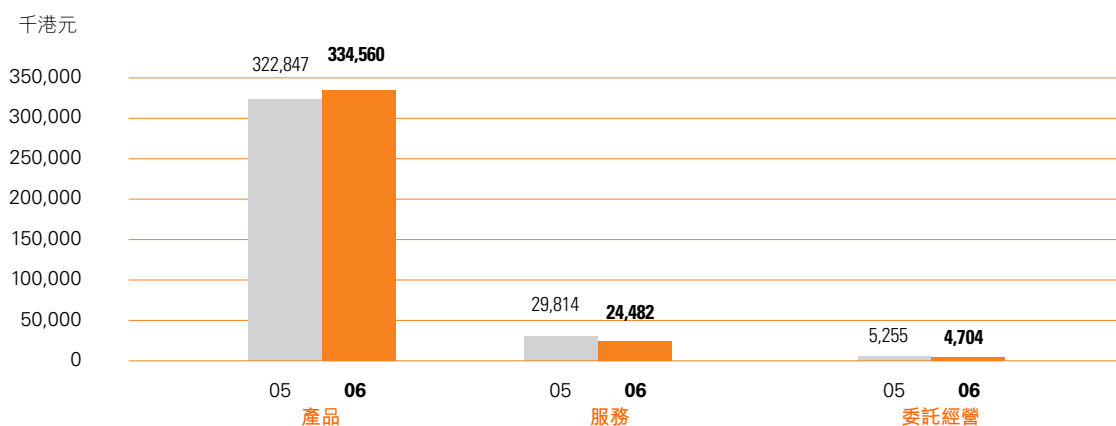
按業務劃分	二零零六年 千港元	二零零五年 千港元	變動 千港元	變動 %
<b>產品</b>				
中國大陸	<b>229,740</b>	200,979	28,761	14.3%
台灣	<b>97,374</b>	117,375	(20,001)	-17.0%
其他地區	<b>7,446</b>	4,493	2,953	65.7%
總計	<b>334,560</b>	322,847	11,713	3.6%
<b>服務</b>				
中國大陸	<b>5,567</b>	7,681	(2,114)	-27.5%
台灣	<b>17,446</b>	19,983	(2,537)	-12.7%
其他地區	<b>1,469</b>	2,150	(681)	-31.7%
總計	<b>24,482</b>	29,814	(5,332)	-17.9%
<b>委託經營</b>				
中國大陸	<b>4,704</b>	5,255	(551)	-10.5%
台灣	—	—	—	不適用
其他地區	—	—	—	不適用
總計	<b>4,704</b>	5,255	(551)	-10.5%

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

按業務劃分之營業額	二零零六年		二零零五年		變動	
	千港元	%	千港元	%	千港元	%
產品	<b>334,560</b>	<b>92.0%</b>	322,847	90.2%	11,713	3.6%
服務	<b>24,482</b>	<b>6.7%</b>	29,814	8.3%	(5,332)	-17.9%
委託經營	<b>4,704</b>	<b>1.3%</b>	5,255	1.5%	(551)	-10.5%
<b>總計</b>	<b>363,746</b>	<b>100.0%</b>	<b>357,916</b>	<b>100.0%</b>	<b>5,830</b>	<b>1.6%</b>

按業務劃分之營業額



#### 產品

本集團以自然美及Bio-up品牌製造及銷售護膚產品、美容產品、香薰產品及健康食品等多種產品。產品(即本集團主要收益來源)主要透過水療中心及專櫃銷售,於二零零六年之銷售額為334,600,000港元,佔總營業額92.0%,而二零零五年之銷售額為322,800,000港元,佔總營業額90.2%。

產品銷售增加主要歸因於成功推行品牌革新計劃,當中包括整體品牌形象、加盟店形象及新產品包裝等,令中國大陸市場之產品銷售額增加28,800,000港元所致。於中國大陸方面,於二零零六年底已重新包裝221項產品。有關措施令產品銷售邊際毛利成功由去年同期之85.3%增加0.5%至85.8%。本集團將繼續透過進一步加強其重新包裝行動增加利潤。

於香港及馬來西亞之其他市場僅佔本年度總產品銷售額2.2%。

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

服務收益	二零零六年		二零零五年		變動	
	千港元	%	千港元	%	千港元	%
培訓收益	<b>1,975</b>	<b>8.1%</b>	1,557	5.2%	418	26.8%
水療服務收益	<b>12,110</b>	<b>49.5%</b>	16,518	55.4%	(4,408)	-26.7%
管理費收益	<b>8,503</b>	<b>34.7%</b>	8,093	27.1%	410	5.1%
其他	<b>1,894</b>	<b>7.7%</b>	3,646	12.3%	(1,752)	-48.1%
<b>總計</b>	<b>24,482</b>	<b>100.0%</b>	<b>29,814</b>	<b>100.0%</b>	<b>(5,332)</b>	<b>-17.9%</b>

#### 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。

本集團亦透過其自資經營水療中心提供肌膚護理、美容及spa服務。由於按照現時之加盟經營計劃，本集團不能分佔加盟商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。年內，來自該等服務之收益較二零零五年減少26.7%至12,100,000港元，主要因為中港台三地市場之服務收益減少。由於本集團其中一間於中國大陸市場經營的水療中心於二零零六年因上海政府之重建發展計劃而被迫結業，來自中國大陸的服務收益減少2,100,000港元。此外，香港之服務收益由於一間水療中心在二零零六年一月一日結業而減少600,000港元。於二零零六年，經濟衰退及政治動盪導致台灣市場服務收益減少2,500,000港元。

儘管本集團需於新市場設立自資經營水療中心作為水療中心模範，本集團認為將資源用於刺激整體產品銷售，整體而言盈利能更為豐厚及更具成本效益。

然而，於回顧年內，由於透過CCTV-MTV音樂頒獎贊助及於其他媒體之美容課程額外廣告宣傳，培訓收益增加26.8%至2,000,000港元。

向加盟店收取管理費用亦增加5.1%至8,500,000港元，主要由於向中國大陸加盟店收取季度管理費。

其他服務收益指所沒收加盟者押金及其他服務相關收益。其他服務收益減少主要歸因於二零零五年一次性沒收台灣加盟者之押金1,500,000港元。



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 委託經營

委託經營的水療中心由本集團擁有及由優秀經營者經營。水療中心以往由本集團經營。為更有效分配財務及人力資源，本集團委託中國大陸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。經營者將自負盈虧及於店內銷售本集團產品，而本集團則向經營者每年收取定額委託經營費用。

本集團相信，委託安排將為經營者及本集團締造互惠互利局面。本地經營者可提供更能迎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。

委託經營收益由二零零五年5,300,000港元減少10.5%至二零零六年4,700,000港元。委託經營收益減少乃由於若干委託經營於本年度內屆滿所致。

#### 其他收益

其他收益主要為租金收益6,200,000港元、利息收益4,300,000港元、財務退款26,500,000港元及投資物業公平值增加300,000港元，餘額則來自其他項目。其他收益由二零零五年43,100,000港元增加9.7%或4,200,000港元至二零零六年之47,300,000港元，主要由於中國大陸附屬公司經營溢利上升所產生中國大陸財務退款增幅6,900,000港元以及由於利率及平均銀行結餘上升令利息收益增加1,000,000港元所致。

#### 分銷及行政費用

本集團分銷成本佔營業額百分比由二零零五年35.7%減至二零零六年27.9%。總成本由二零零五年之127,700,000港元減少26,300,000港元至二零零六年101,400,000港元。儘管本集團提高於各媒體的曝光率，但廣告成本及宣傳開支於二零零六年下降31,100,000港元至46,000,000港元。廣告及宣傳開支佔營業額百分比由二零零五年21.6%減至二零零六年14.1%。

另一方面，行政開支佔營業額百分比由二零零五年17.3%減至二零零六年16.3%。有關成本主要包括薪金、法律及專業費用、折舊及租金開支。由於二零零五年作出2,100,000港元之商譽減值虧損，故行政開支由二零零五年之62,000,000港元減少2,500,000港元至二零零六年59,500,000港元。

#### 其他經營支出

於二零零六年之其他經營支出合共6,900,000港元，較二零零五年18,200,000港元減少62.2%，主要為撇銷存貨1,500,000港元、出售固定資產虧損600,000港元、銀行收費1,800,000港元及主要因在台灣境外地區派發股利及繳付

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

預扣稅產生匯兌虧損1,400,000港元。較去年波動之主要原因乃基於去年中國大陸之店舖翻新導致出售固定資產虧損減少3,300,000港元所致。此外，因推行革新包裝計劃而於二零零五年提撥存貨撥備7,000,000港元。

#### 除稅前溢利

由於毛利及其他收益增加，加上分銷及行政費用以及其他經營支出減少，導致除稅前溢利由二零零五年119,800,000港元急升45.6%至二零零六年174,500,000港元。

#### 稅項

稅項支出由二零零五年38,800,000港元上升33.0%至二零零六年51,600,000港元。稅項增加主要由於中國溢利增長以致支付較高所得稅。本集團截至二零零五年及二零零六年十二月三十一日止財政年度的實際稅率分別為32.4%及29.6%。實際稅率下調乃由於在中國之有效稅務規劃所致。實際稅率較高則由於本集團的台灣附屬公司須就於台灣境外地區派發之股利繳付預扣稅。台灣稅務機關於二零零六年收取之預扣稅支出總額為3,800,000港元（二零零五年：3,200,000港元）。

#### 本年度純利

基於上文各項，本年度之全年收益淨額較二零零五年的81,100,000港元上升51.6%至122,800,000港元。

#### 流動資金及財務資源

二零零六年經營業務所得現金約為150,400,000港元（二零零五年：220,200,000港元），有關減幅主要由於營運資金變動所致。於二零零六年十二月三十一日，本集團現有銀行結存及現金約356,200,000港元（二零零五年：338,700,000港元）及買賣證券（主要為保本債券基金）約27,700,000港元（二零零五年：26,500,000港元），另外並無銀行借款。

關於資產負債情況，於二零零五年及二零零六年十二月三十一日，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。於二零零五年及二零零六年十二月三十一日，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5.7倍。於二零零六年十二月三十一日，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，且財務資源充裕，足以應付其承擔及營運資金所需。

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 資產抵押

本集團若干賬面值為157,800,000港元(二零零五年:155,300,000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,而該等投資物業於結算日出售後,有關抵押將予以解除。

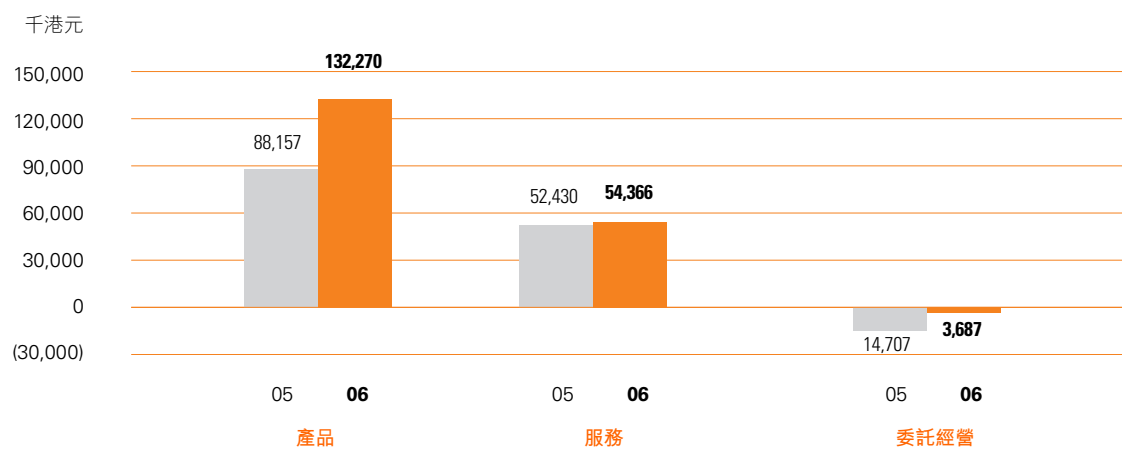
#### 理財政策及所承受之匯率波動風險

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。於二零零六年十二月三十一日,本集團銀行結存及現金約66.9%(二零零五年:68.1%)以人民幣計值,另約22.2%(二零零五年:21.4%)以新台幣計值,餘下10.9%(二零零五年:10.5%)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,並且於需要時使用衍生金融工具對沖有關風險。

#### 業務回顧

按地區劃分之營業額	二零零六年 港元	二零零五年 港元	變動 港元	變動 %
<b>中國大陸</b>				
營業額—產品銷售	<b>229,740</b>	200,979	28,761	14.3%
營業額—服務	<b>5,567</b>	7,681	(2,114)	-27.5%
營業額—委託經營	<b>4,704</b>	5,255	(551)	-10.5%
中國大陸業務總計	<b>240,011</b>	213,915	26,096	12.2%
<b>台灣</b>				
營業額—產品銷售	<b>97,374</b>	117,375	(20,001)	-17.0%
營業額—服務	<b>17,446</b>	19,983	(2,537)	-12.7%
營業額—委託經營	—	—	—	不適用
台灣業務總計	<b>114,820</b>	137,358	(22,538)	-16.4%
<b>其他地區</b>				
營業額—產品銷售	<b>7,446</b>	4,493	2,953	65.7%
營業額—服務	<b>1,469</b>	2,150	(681)	-31.7%
營業額—委託經營	—	—	—	不適用
其他地區業務總計	<b>8,915</b>	6,643	2,272	34.2%

按地域劃分之經營溢利



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 中國大陸市場

本集團於二零零五開始實行提升品牌計劃，所帶來的效益開始於二零零六年之產品銷售增長中反映。本集團於中國大陸的產品銷售增加14.3%至229,700,000港元。於本年度，產品銷售之邊際毛利亦由85.1%輕微上升至85.4%。

本集團的委託經營策略繼續獲得成果。本集團將位於已開發地區的水療中心委託優秀經營者營運，以增加成本效益。向經營者收取委託經營費用及產品收益成功將於委託計劃初期所產生的虧損減至最低。因此，儘管服務收益及委託經營水療收益分別減少2,100,000港元及600,000港元，但本集團於二零零六年在中國大陸的整體毛利卻增加25,100,000港元，而整體邊際毛利亦由80.1%躍升至81.9%，按年增長1.8%。

由於其他收益主要為退稅所帶動而增加，本年度的經營溢利及純利分別大增50.0%及56.0%至132,300,000港元及89,200,000港元。經營邊際利潤由二零零五年41.2%改善至二零零六年55.1%，而中國的整體淨邊際利潤亦由二零零五年26.7%上調至二零零六年37.2%。

#### 台灣市場

於本年度，台灣出現經濟衰退，加上本公司於二零零六年第一季末才開始於台灣市場進行品牌提升計劃。因此，於二零零六年，台灣之產品銷售額下降17.0%至97,400,000港元。年內，台灣開始革新產品包裝，銷售產品邊際毛利由二零零五年88.0%上升至二零零六年91.2%。整體邊際毛利亦由二零零五年83.1%微升至本年度84.9%。

儘管台灣的營業額及毛利減少，但由於成功節省廣告開支14,000,000港元，故經營溢利於二零零六年增長3.7%或1,900,000港元，推動經營邊際利潤由二零零五年38.2%上升至二零零六年47.3%。本年度純利增長3.4%或1,600,000港元至48,800,000港元，而台灣的整體淨邊際利潤則由二零零五年34.3%上升至二零零六年42.5%。

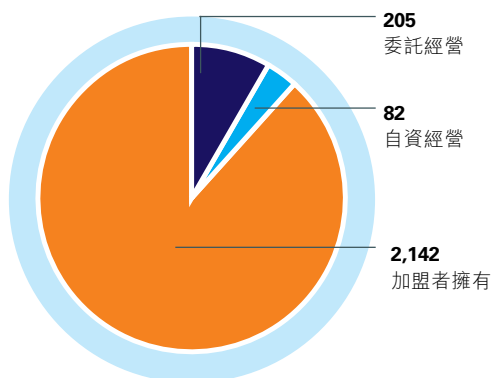
Management Discussion and Analysis (Continued)  
 管理層討論及分析(續)

分銷渠道

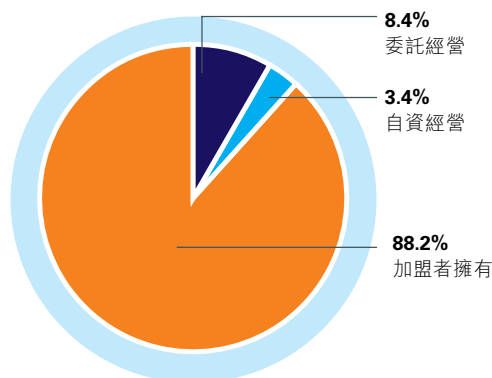
按擁有權劃分之店舖數目 於二零零六年十二月三十一日	加盟者擁有 水療中心	委託經營 水療中心	自資經營 水療中心	水療中心 總計	委託經營 專櫃	自資經營 專櫃	專櫃總計	全部合計
台灣	501	—	9	<b>510</b>	161	—	<b>161</b>	<b>671</b>
中國大陸	1,591	24	5	<b>1,620</b>	20	67	<b>87</b>	<b>1,707</b>
其他地區	50	—	1	<b>51</b>	—	—	—	<b>51</b>
<b>總計</b>	<b>2,142</b>	<b>24</b>	<b>15</b>	<b>2,181</b>	<b>181</b>	<b>67</b>	<b>248</b>	<b>2,429</b>

按擁有權劃分之店舖數目 於二零零六年十二月三十一日	加盟者擁有	委託經營	自資經營	總計
台灣	501	161	9	671
中國大陸	1,591	44	72	1,707
其他地區	50	—	1	51
<b>總計</b>	<b>2,142</b>	<b>205</b>	<b>82</b>	<b>2,429</b>

按擁有權劃分之店舖數目(2,429)



按擁有權劃分之店舖數目(%)



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

本集團收益主要來自其獨有新增的水療中心及百貨公司專櫃分銷渠道。於二零零六年十二月三十一日，本集團合共開設2,429間店舖，其中2,181間為水療中心，另外248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。

於二零零六年十二月三十一日，本集團共有2,142間水療中心加盟店，15間水療中心及67個專櫃由本集團直接經營，此外，另有24間水療中心及181個專櫃則由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水療中心作為水療中心模範，但由於自資經營水療中心的分銷成本較加盟店為高，故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盈利更為有利可圖，因此，本集團已經將其於已開發市場的若干水療中心委託優秀經營者經營，並將會評估在選定地方設立自資經營水療中心的需要。

此項委託策略於中國大陸亦成效斐然，整體邊際毛利由二零零五年80.1%上升至二零零六年81.9%，本年度額外貢獻達25,100,000港元。

#### 提升品牌形象

本集團深明必需先革新品牌形象，才能保持競爭優勢。提升品牌計劃可概括為四方面：

- 新專業管理
- 翻新現有水療中心加盟店舖面
- 革新產品包裝
- 投資者關係

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 新專業管理

為應付來年業務增長，本集團進一步強化其管理隊伍。台灣及其他地區營運總裁及中國區營運總裁分別於二零零六年末及二零零七年一月加盟本集團。本集團相信，管理隊伍成員知識廣博及經驗豐富，有助集團於業界再創高峰。

#### 翻新現有水療中心加盟店舖面

由於本公司的水療中心加盟店網絡龐大，考慮到按照本集團新加盟店形象為所有加盟商翻新所有水療中心進行翻新工程過程需時，因此本集團設有過渡安排，容許加盟商將所有店舖劃一採用本集團翻新的獲獎企業標誌，使之能夠以最少時間及財務資源裝修其水療中心。截至二零零六年十二月三十一日，中國共有1,136間水療中心及台灣共有315間水療中心（合共1,451間）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。為統一形象，本集團已重新設計所有產品的包裝，並已將七百多款產品的二百多款包裝，簡化為24種標準款式。於二零零六年底，共有221項（二零零五年：60項）產品已轉換包裝，以致中國大陸邊際利潤由二零零五年85.1%輕微上升至二零零六年85.4%。本公司將繼續於二零零七年及二零零八年分階段革新現有的產品系列。

#### 投資者關係([www.nblife.com/ir](http://www.nblife.com/ir))

為方便最終用家及加盟商，本公司已於二零零五年在中國大陸重新推出網站，以配合新形象並豐富內容。網站向最終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。本公司網站同時設有一個商業對商業（「B2B」）的入門網站，讓加盟商於網上訂購貨品。

本集團最近亦加強網站的企業／投資者關係內容，以中英文雙語提供，以促進與投資者的溝通。



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)



[www.nblife.com/ir](http://www.nblife.com/ir)

#### 物流

本公司現時自行管理上海、北京及廣州三個倉庫，負責本公司於中國大陸各地的倉儲服務。產品付運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。

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程序。所有NB產品均保證符合所有相關規定。

除NB竭誠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，自然美於研究及開發美容及護膚產品方面具備競爭優勢。

由於水療中心的客戶均為固定客戶，多年來均使用對其肌膚類型及狀況最為適合的相同產品系列。本集團大部分研發開支主要用於擴展現有產品系列。因此，本集團的研發開支相對較彩妝產品公司為低。

截至二零零六年十二月三十一日止年度，研究及開發成本合共2,000,000港元（二零零五年：1,300,000港元）。

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 新產品

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防敏感及細緻毛孔系列以及六款保健食品。於二零零六年，本集團售出超過162,000套／件（二零零五年：45,000套／件）NB-1系列產品，帶來營業額120,600,000港元（二零零五年：45,800,000港元），佔二零零六年產品銷售總額超過三分之一。

本公司於二零零六年繼續加強產品組合，於年中推出36項新產品。

#### 新宣傳途徑

本集團於二零零六年擴張其宣傳途徑，向50所位於北京、廣州及上海的大學寄出校園宣傳郵件，宣傳對象包括約400,000名女性。宣傳郵件亦曾派發至各學生宿舍房間，並於食堂及課室內張貼與宣傳郵件相應的海報。此外，亦曾舉辦校園美容課程及名人活動，以加強宣傳郵件之效果。有關宣傳將為針對自然美潛在客戶之有效宣傳途徑，並建立品牌知名度，吸引日後顧客。

#### 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，而中國大陸方面預期將於二零零七年中完成。



## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 人力資源

於二零零六年十二月三十一日，本集團合共聘有893名僱員，其中693名派駐中國，台灣有183名，其他地區則有17名。截至二零零六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58,400,000港元（二零零五年：62,700,000港元），其中包括退休福利成本6,100,000港元（二零零五年：6,000,000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，並且著重向員工提供培訓及發展，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認股權計劃，以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，本集團並無根據認股權計劃授出任何認股權。

#### 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。於二零零六年，添置固定資產達11,300,000港元（二零零五年：24,900,000港元），其中包括於二零零五年以12,900,000港元於廣州購入物業以擴充華南地區的區內培訓中心。

加盟商須承擔其水療中心的資本開支。

由於本公司於中國大陸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。

## Management Discussion and Analysis (Continued)

### 管理層討論及分析(續)

#### 未來計劃及策略

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。本公司將繼續保持其於台灣水療市場的領先地位及發展台灣零售市場，並正專注於快速增長的中國大陸市場。

本集團已制定擴充業務計劃，亦計劃盡量提升收益及盈利能力。

拓展分銷及加盟商網絡的策略：

- 透過 1,300 間店舖擴展台灣零售分銷業務及開展中國大陸零售業務
- 擴充培訓，向加盟商提供持牌美容師
- 於二零零七年增加 400 家店舖

憑藉追求完美的精神，本公司深信將會繼續實現其策略宗旨，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。

#### 前景

##### 中國大陸

中國國內生產總值有近 10% 的強勁增長，加上中國富裕女性消費者數目日增，本集團相信，本集團水療業務的市場規模將持續增長，特別是抗衰老、美白及護膚方面的業務。本集團相信，中國仍有許多地區本集團仍未充分開拓市場，因此本集團將繼續擴展網絡，以鞏固在水療中心加盟店領域的領導地位。本集團亦將利用在台灣的经营經驗，於本年度下半年拓展零售市場。

##### 台灣

台灣即將進行總統選舉，本集團預期今年稍後台灣的經濟將會復甦。本集團將會保持在台灣水療市場的領導地位，而預期本集團的「Fonperi」零售品牌產品將於二零零七年成為本集團台灣業務的主要增長動力。