

自然美
natural beauty

NATURAL BEAUTY BIO-TECHNOLOGY LIMITED

自然美生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：00157



"Qi" of Beauty

ANNUAL REPORT 2007

二零零七年報



MISSION STATEMENT 我們的使命

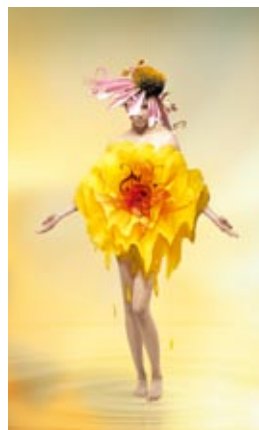
Natural Beauty is dedicated to cultivate our staff, customers, students and franchisees to appreciate our education, products and services, which are made by the love and kindness of our founder, Dr. Tsai Yen Pin, who made modern ladies beautiful, confident and wealthy.

我們致力於使員工、顧客、學員及加盟老師們存着一份感恩的心來到自然美，學習自然美容術及使用自然美產品及服務，這都是自然美創辦人蔡燕萍博士以愛心砌成累積的成果，幫助無數女性建立美麗、自信及財富。

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Corporate Information

公司資料

BOARD OF DIRECTORS

Dr. Tsai Yen Yu

(alias Dr. Tsai Yen Pin) (*Chairman*)

Mr. Lee Ming Ta

(alias Mr. Lee Ming Tah)

Dr. Su Chien Cheng

Dr. Su Sh Hsyu

Mr. Yeh Liang Fei

(*Independent Non-executive Director*)

Mrs. Chen Shieh Shu Chen

(*Independent Non-executive Director*)

Mr. Chen Ching

(*Independent Non-executive Director*)

AUTHORISED REPRESENTATIVES

Mr. Lee Ming Ta

(alias Mr. Lee Ming Tah)

Dr. Su Chien Cheng

COMPANY SECRETARY

Mr. Chan Yan Kwan, Andy CPA, FCCA

MEMBERS OF THE AUDIT COMMITTEE

Mr. Yeh Liang Fei

Mrs. Chen Shieh Shu Chen

Mr. Chen Ching

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Yeh Liang Fei

Mrs. Chen Shieh Shu Chen

Mr. Chen Ching

REGISTERED OFFICE

P. O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3512, 35/F

The Center

99 Queen's Road Central

Central

Hong Kong

Corporate Information (Continued)

公司資料(續)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Arculli Fong & Ng
In association with King & Wood (PRC lawyers)
908 Hutchison House
Central
Hong Kong

PRINCIPAL BANKERS

**The Hongkong and Shanghai Banking
Corporation Limited**

1 Queen's Road Central
Hong Kong

Land Bank of Taiwan

No. 76, Section 2, Tun Hua South Road
Taipei
Taiwan

The International Commercial Bank of China

No. 62, Section 2, Tun Hua South Road
Taipei
Taiwan

Agricultural Bank of China

Shanghai Branch
3rd Floor, 26 Zhong Shan Dong Yi Road
Shanghai
The PRC

Bank of Communications

Shanghai Branch, Zhabei Sub-branch
211 Hengtong Road
Shanghai
The PRC

WEBSITE

www.nblife.com/ir

Corporate Information (Continued)

公司資料(續)

董事會

蔡燕玉博士

(又名蔡燕萍博士)(主席)

李明達先生

蘇建誠博士

蘇詩琇博士

葉良輝先生

(獨立非執行董事)

陳謝淑珍女士

(獨立非執行董事)

譚清先生

(獨立非執行董事)

法定代表

李明達先生

蘇建誠博士

公司秘書

陳仁君先生 CPA, FCCA

審核委員會成員

葉良輝先生

陳謝淑珍女士

譚清先生

薪酬委員會成員

葉良輝先生

陳謝淑珍女士

譚清先生

註冊辦事處

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

總辦事處及香港主要營業地點

香港

中環

皇后大道中99號

中環中心

35樓3512室

Corporate Information (Continued)

公司資料(續)

核數師

德勤•關黃陳方會計師行
執業會計師
香港
金鐘道88號
太古廣場一期35樓

法律顧問

夏佳理方和吳正和律師行
聯同金杜律師事務所(中國大陸律師)
香港
中環
和記大廈908室

主要往來銀行

香港上海滙豐銀行有限公司
香港
皇后大道中1號

台灣土地銀行

台灣
台北
敦化南路2段76號

中國國際商業銀行

台灣
台北
敦化南路2段62號

中國農業銀行

上海市分行
中國
上海
中山東一路26號3樓

交通銀行

上海市分行閘北支行
中國
上海
211恆通路

網址

www.nblife.com/ir





純 : 天然
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Financial Highlights

財務摘要

+23.8%

TURNOVER

營業額

Expressed in HK\$'000 以千港元列示

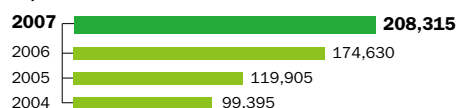


+19.3%

OPERATING PROFIT

經營溢利

Expressed in HK\$'000 以千港元列示

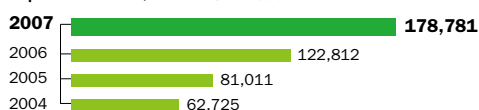


+45.6%

淨收益

NET INCOME

Expressed in HK\$'000 以千港元列示

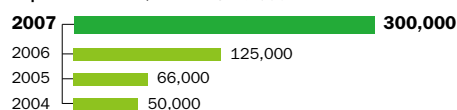


+140%

DIVIDENDS

股利

Expressed in HK\$'000 以千港元列示



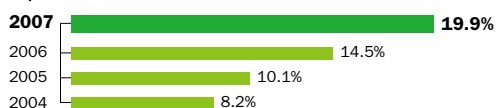
+5.4% points

百分點

RETURN ON EQUITY (%)

股本回報 (%)

Expressed in % 以%列示



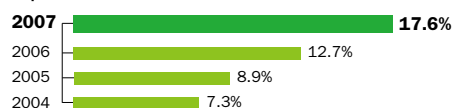
+4.9% points

百分點

RETURN ON ASSETS (%)

資產回報 (%)

Expressed in % 以%列示



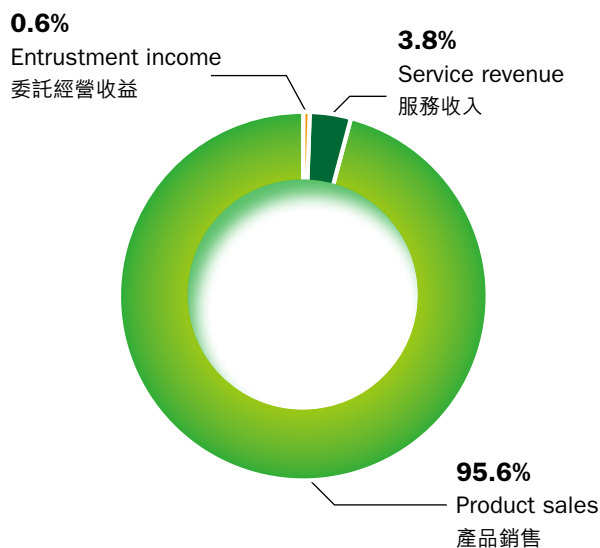
Financial Highlights (Continued)

財務摘要(續)

Selected Financial Data	財務數據摘要	FY2004	FY2005	FY2006	FY2007
HK\$'000 (except per share data)	千港元 (每股數據除外)	二零零四年 財政年度	二零零五年 財政年度	二零零六年 財政年度	二零零七年 財政年度
Turnover	營業額	358,142	357,916	363,746	450,147
COGS	已售貨品成本	82,291	73,309	68,725	77,573
Gross profit	毛利	275,851	284,607	295,021	372,574
Operating profit	經營溢利	99,395	119,905	174,630	174,453
Net income	淨收益	62,725	81,011	122,812	178,781
Dividend	股利	50,000	66,000	125,000	300,000
EPS – basic	每股盈利 – 基本	\$0.0320	\$0.0410	\$0.0620	\$0.0890
DPS	每股股利	\$0.0250	\$0.0330	\$0.0625	\$0.1500
Return on Equity (ROE)	股本回報	8.2%	10.1%	14.5%	19.9%
Return on Assets (ROA)	資產回報	7.3%	8.9%	12.7%	17.6%

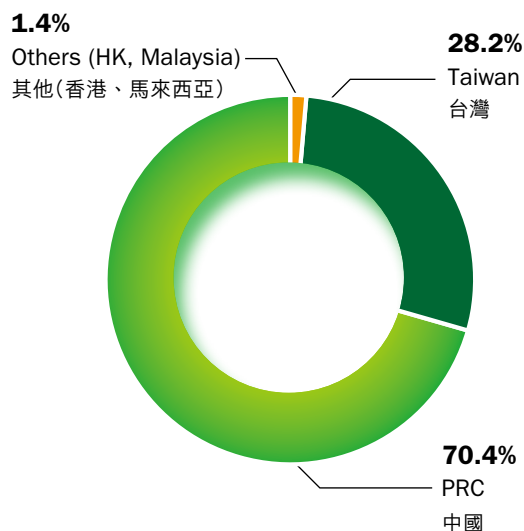
TURNOVER BY REVENUE BREAKDOWN (%)

按收益分析之營業額(%)



TURNOVER BY GEOGRAPHICAL BREAKDOWN (%)

按地域分析之營業額(%)







韻 : 韻味
Yun

Chairman's Statement

主席報告書

Dear Shareholders,

PERFORMANCE

I am pleased to present Natural Beauty's annual result for the year ended 31 December 2007. Natural Beauty continued to grow robustly in the PRC while its business in Taiwan turned around significantly, with key performance indicators showing promising results.

Our turnover in 2007 grew by 23.8% and profit attributable to equity holders by 45.1% from the previous year, which saw strong growth on the bottom line. Earnings per share increased by 45.1% to 8.9 HK cents per share. The return on shareholders' equity also went up by 5.4 percentage points to 19.9%.

The Board of Directors has resolved to declare a final dividend of 4.2 HK cents per share and a final special dividend of 5.8 HK cents, totaling 10.0 HK cents per share. Together with the interim and interim special dividends, the total dividends for the year reached 15.0 HK cents, with a dividend payout ratio of 168%.

各位股東：

表現

本人欣然提呈自然美截至二零零七年十二月三十一日止年度之年度業績。自然美於中國大陸之業務持續迅速增長，台灣業務亦顯著好轉，其中多項主要表現指標均顯示業績理想。

於二零零七年，本集團之營業額及股東應佔溢利分別較去年增長23.8%及45.1%，利潤大幅上揚。每股盈利增加45.1%至每股8.9港仙。股東資金回報亦上升5.4個百分點至19.9%。

董事會議決宣派末期股利每股4.2港仙及末期特別股利每股5.8港仙，合共每股10.0港仙。連同中期股利及中期特別股利，本年度股利總額達15.0港仙，派息率為168%。



Chairman's Statement (Continued)

主席報告書(續)



BUSINESS REVIEW

PRC

The sales in the PRC increased by 32.0% to reach HK\$316.8 million, which was attributable to a 19.0% growth in average store sales as well as the expanded distribution network, which saw the opening of 219 new stores in mainland China in 2007. The product gross margin further improved by 2.3 percentage points to 87.7%, compared with 85.4% in 2006. The operating profit in China expanded to HK\$174.0 million, a 34.6% growth from the same period in 2006.

Taiwan

Despite Taiwan's economic recession over the past two years, our performance on the island has been encouraging, with sales jumping 10.5% in 2007 from the previous year. Our spa business recorded a net increase of HK\$5.3 million, with the average store sales growing by 4.5%. Our retail brand "Fonperi" also achieved HK\$15.4 million in sales in 2007 since its debut in April 2007. The total number of Fonperi retail outlets reached 1,394 as at 31 December 2007 and reached 3,744 as at 31 March 2008.

Margin expansion

The product gross margin further expanded from 85.8% in 2006 to 87.2% in 2007. The increase was due in part to the on-going product repackaging and also the launch of a number of higher-priced products.

業務回顧

中國大陸

於中國大陸之銷售額增加32.0%至316,800,000港元，此乃由於店鋪銷售額平均增長19.0%，加上分銷網絡擴大，其中中國大陸於二零零七年增設219間店鋪所致。產品邊際毛利較二零零六年之85.4%進一步攀升2.3個百分點至87.7%。於中國之經營溢利由二零零六年同期增長34.6%至174,000,000港元。

台灣

儘管台灣經濟過去兩年經歷衰退，本集團於當地之表現一直令人鼓舞，二零零七年之銷售額由去年飆升10.5%。本集團之水療中心業務錄得淨增長5,300,000港元，平均店鋪銷售額上升4.5%。於二零零七年，本集團零售品牌「Fonperi」自二零零七年四月推出市場以來，亦錄得15,400,000港元之銷售額。於二零零七年十二月三十一日，Fonperi零售點總數達1,394個，而於二零零八年三月三十一日更達3,744間。

擴大邊際利潤

產品邊際毛利由二零零六年之85.8%進一步躍升至二零零七年之87.2%，部分受到持續革新產品包裝及推出多款高價產品所帶動。

Chairman's Statement (Continued)

主席報告書(續)



OUTLOOK

Expansion of franchisee network in China continue to be key strategic focus

China continues to be one of the fastest growing economies in the world, with consumer confidence running high and spending power rising at high speed.

China remains the Group's strategic focus in the foreseeable future. We will continue to enhance the quality and consistency of the network. We focus on not only quantity but quality improvements, with 219 new stores opened with an average store size of 205 square meters in 2007 while 73 stores with an average store size of 96 square meters were closed in 2007. We encourage franchisees with stores that under 120 square meters to open new stores or seek better locations with a larger store size. We plan to open another 250 stores in 2008 and will continuously strive to achieve consistent growth in average sales per store.

Retail expansion in Taiwan

With the completion of Taiwan's Presidential election and the political uncertainties dying down, and in light of the closer economic ties between the mainland and Taiwan, Taiwan's economy is expected to see strong recovery in 2008.

前景

擴闊中國加盟經營網絡繼續為主要策略重點

中國繼續為全球經濟增長最急速地區之一，當地消費信心高企，消費能力亦以高速不斷攀升。

中國仍為本集團於可見未來之策略重點。本集團將持續提升網絡質素及一貫性，不單只注重質量，亦致力改進質素，於二零零七年，本集團增設219間新店舖，平均店舖面積為205平方米；另於二零零七年結束73間平均店舖面積為96平方米之店舖。本集團鼓勵店舖面積少於120平方米之加盟者開設新店舖或物色更佳地段擴大店舖規模。本集團計劃於二零零八年另行開設250間店舖，並將繼續致力促使每間店舖之平均銷售額持續增長。

擴展台灣零售業務

台灣總統大選塵埃落定，政治不明朗因素隨之消失，加上大陸與台灣之經濟更緊密連繫，預期台灣經濟將於二零零八年強勢復甦。

Chairman's Statement (Continued)

主席報告書(續)

Our retail brand “Fonperi” launched in April 2007 is experiencing rapid market expansion. There were 16 SKUs in the product line as at 31 December 2007, and another 16 new SKUs will be launched in 2008, including 5 products dedicated to men. We also plan to spread our tentacles by increasing the number of our retail points of sales from 1,394 at the end of 2007 to around 4,000 by the end of 2008.

Expand product range

To further enhance the product offering, we will introduce products for “family and friends of our existing customers” in 2008, including NB-1 for men, natural baby products and health food.

NOTE OF APPRECIATION

I would like to thank wholeheartedly 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 has been instrumental to the Group's continuous growth and expansion.

Dr. Tsai Yen Yu

Chairman

Hong Kong, 10 April 2008

本集團零售品牌「Fonperi」於二零零七年四月推出，現正在急速擴展市場。於二零零七年十二月三十一日，該產品系列中有16個SKU，更將於二零零八年再推出16個新SKU，當中包括專為男士設計之5款產品。本集團亦計劃將零售點數目由二零零七年底之1,394個增加至二零零八年底約4,000個，藉此擴展市場覆蓋範圍。

擴大產品系列

為進一步豐富產品系列，本集團將於二零零八年推出專為「現有客戶之家人及朋友」而設之產品，包括NB-1男士用品、天然嬰兒產品及保健食品。

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悉心指導致以衷心謝意，亦感謝本集團管理層隊伍及僱員之竭誠服務及努力工作，令本集團得以持續發展及擴充業務。

蔡燕玉博士

主席

香港，二零零八年四月十日





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Qi

Management Discussion & Analysis

管理層討論及分析

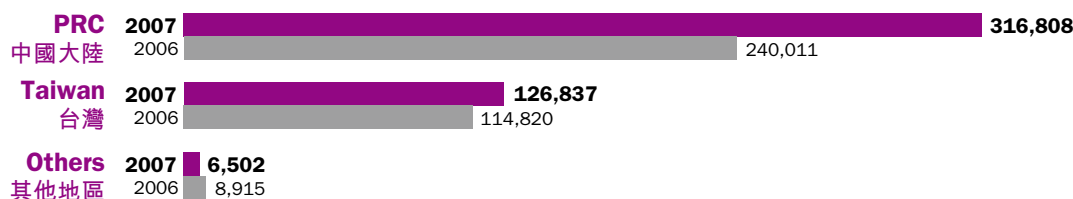
FINANCIAL REVIEW

財務回顧

Turnover by geographical region	按地域劃分之營業額	2007 二零零七年		2006 二零零六年		Changes 變動	
		HK\$'000 千港元	%	HK\$'000 千港元	%	HK\$'000 千港元	%
PRC	中國大陸	316,808	70.4%	240,011	66.0%	76,797	32.0%
Taiwan	台灣	126,837	28.2%	114,820	31.6%	12,017	10.5%
Others	其他地區	6,502	1.4%	8,915	2.4%	(2,413)	-27.1%
Total	總計	450,147	100.0%	363,746	100.0%	86,401	23.8%

TURNOVER BY GEOGRAPHICAL REGION

按地域劃分之營業額



Turnover increased by 23.8% to HK\$450.1 million in 2007 as compared to HK\$363.7 million in 2006. PRC market continued to demonstrate robust sales growth at 32.0% driven by the strong Chinese economy. Taiwan market was still weak but we managed to turn around the business in this market and recorded a 10.5% year on year growth in turnover. The growth was attributable to the new retail brand "Fonperi" launched in April 2007. Other markets, including Hong Kong and Malaysia, remained insignificant and accounted for less than 2% of the total turnover.

Turnover in the PRC surged 32.0% or HK\$76.8 million to HK\$316.8 million. The increase in turnover generated from the PRC market was mainly due to an encouraging increase of HK\$77.4 million in product sales, representing a year-on-year growth of 33.7%. The increase in product sales was resulted from effective brand and store image revamp program commenced in April 2005. The average store sales of the PRC market recorded a further growth of 19% in 2007. Service income also recorded 22.7% year on year growth, as a result of new and renovated self-owned spas opened during the year.

營業額由二零零六年之363,700,000港元躍升23.8%至二零零七年之450,100,000港元。在中國大陸強勁經濟帶動下，中國大陸市場之銷售額持續可觀增長，升幅達32.0%。台灣市場仍然疲弱，然而，憑藉二零零七年四月推出新零售品牌「Fonperi」，令本集團得以改善台灣市場之業務，並錄得營業額按年增幅10.5%。包括香港及馬來西亞之其他市場所佔比例仍屬輕微，佔總營業額不足2%。

中國大陸之營業額飆升32.0%或76,800,000港元至316,800,000港元。源自中國大陸市場之營業額增加，主要由於產品銷售額上升77,400,000港元，即按年增幅達33.7%，成績令人鼓舞。產品銷售額增加歸功於二零零五年四月起展開行之有效之品牌及店舖形象提升計劃。於二零零七年，中國大陸市場之店舖平均銷售額更進一步增長19%。服務收入亦按年增長22.7%，此乃源自年內開業之全新及經革新之自資經營水療中心。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)



In Taiwan, turnover increased by 10.5% or HK\$12.0 million to HK\$126.8 million in 2007 as compared to HK\$114.8 million in 2006. The improvement in turnover was resulted from the introduction of our new retail brand “Fonperi” in the Taiwan market. The initial market response of this new retail brand is encouraging. There was HK\$15.4 million of product sales directly attributable to the Fonperi line. Excluding the “Fonperi” retail products which were sold under different distribution channel, the average store sales in respect to Taiwan’s existing spa channel registered a 4.5% year on year growth.

Other markets include Hong Kong and Malaysia, while 2 stores are in Hong Kong and 51 stores in Malaysia as at 31 December 2007. These regions remained immaterial and accounted for less than 2% of the total turnover.

The Group’s overall gross profit margin further increased from 81.1% in 2006 to 82.8% in 2007.

台灣方面，營業額於二零零七年增加10.5%或12,000,000港元至126,800,000港元，而二零零六年則為114,800,000港元。營業額改善主要源於在台灣市場推出全新零售品牌「Fonperi」，而市場對此新零售品牌之初步反應令人雀躍，更直接為本集團帶來15,400,000港元之產品銷售額。除透過不同分銷渠道銷售之「Fonperi」零售產品外，台灣現有水療中心之店舖平均銷售額按年增長4.5%。

其他市場包括香港及馬來西亞。於二零零七年十二月三十一日，本集團分別於香港及馬來西亞設有兩間及51間店舖。該等地區對所佔比例仍不重大，佔總營業額不足2%。

本集團之整體邊際毛利率由二零零六年81.1%進一步上升至二零零七年82.8%。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

BY ACTIVITIES	按業務劃分	2007	2006	Variance	Variance
		二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元	變動 HK\$'000 千港元	變動 %
Product Sales	產品銷售額				
PRC	中國大陸	307,161	229,740	77,421	33.7%
Taiwan	台灣	118,130	97,374	20,756	21.3%
Others	其他地區	5,125	7,446	(2,321)	-31.2%
Total	總計	430,416	334,560	95,856	28.7%
Service	服務				
PRC	中國大陸	6,830	5,567	1,263	22.7%
Taiwan	台灣	8,707	17,446	(8,739)	-50.1%
Others	其他地區	1,377	1,469	(92)	-6.3%
Total	總計	16,914	24,482	(7,568)	-30.9%
Entrustment	委託經營				
PRC	中國大陸	2,817	4,704	(1,887)	-40.1%
Taiwan	台灣	-	-	-	n/a
Others	其他地區	-	-	-	n/a
Total	總計	2,817	4,704	(1,887)	-40.1%

Turnover by activities	按地或劃分之營業額	2007		2006		Changes	
		二零零七年 HK\$'000 千港元	%	二零零六年 HK\$'000 千港元	%	變動 HK\$'000 千港元	%
Products	產品	430,416	95.6%	334,560	92.0%	95,856	28.7%
Services	服務	16,914	3.8%	24,482	6.7%	(7,568)	-30.9%
Entrustment	委託經營	2,817	0.6%	4,704	1.3%	(1,887)	-40.1%
Total	總計	450,147	100.0%	363,746	100.0%	86,401	23.8%

TURNOVER BY ACTIVITIES

按業務劃分之營業額



Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Products

The Group is principally engaged in the manufacture and sale of several types of products, namely skin care products, beauty products, aromatherapeutic products, color make up and health supplements, under the “Natural Beauty” and “Fonperi” brand names. Product sales represent the Group’s key revenue contributor and are primarily made through franchisee and self-owned spas and retail outlets. Products sales amounted to HK\$430.4 million, or 95.6% of total revenue in 2007, compared to HK\$334.6 million, or 92.0% in 2006. Gross margin of product sales increased by 1.4 percentage points to 87.2% in 2007, from 85.8% in 2006.

The increase in products sales was mainly attributable to the HK\$77.4 million increase in sales generated from the PRC market as a result of the robust Chinese economy growth, a successful brand revamping program, including the overall brand image, franchised store image and new product packaging of the Group initiated in 2005. There were 363 products repackaged by the end of 2007. The product sales margins in the PRC increased to 87.7%, up 2.3 percentage points from 85.4% for the previous year. Besides, the Group provided free intensive training sessions in 2007 to the franchisees in the PRC market in order to improve both the service quality and the selling skills which stimulated the product sales. Taiwan market also recovered from the declining trend for the past two years although Taiwan economy was still in recession during the period under review. Taiwan market recorded HK\$118.1 million in sales, with an encouraging growth of 21.3% from HK\$97.4 million in 2006. If retail sales of Fonperi was excluded, our spa products still registered a 5.5% growth over 2006.

Our retail brand “Fonperi” launched in April 2007 is experiencing rapid market expansion. During 2007, total sales of “Fonperi” products amounted to HK\$15.4 million.

Other markets in Hong Kong and Malaysia only accounted for 1.2% of total product sales for the year.

產品

本集團主要以「自然美」及「Fonperi」品牌製造及銷售護膚產品、美容產品、香薰產品、彩妝及健康食品等各式各樣產品。產品銷售為本集團主要收益來源，主要源自加盟店及自資經營之水療中心及零售店舖。於二零零七年，產品銷售額為430,400,000港元或佔總營業額95.6%，二零零六年則為334,600,000港元或佔總營業額92.0%。產品銷售之邊際毛利自二零零六年85.8%增加1.4個百分點至於二零零七年之87.2%。

產品銷售額增加主要歸因於中國大陸經濟增長強勁，加上自二零零五年起推行奏效之品牌革新計劃，當中涉及本集團整體品牌形象、加盟店形象及新產品包裝，中國大陸市場之銷售額因而增加77,400,000港元。截至二零零七年底已重新塑造合共363種產品包裝。於中國大陸之產品銷售邊際毛利因而由去年之85.4%上升2.3個百分點至87.7%。此外，本集團於二零零七年為中國大陸市場之加盟者免費提供深造培訓課程，務求改善服務質素及銷售技巧，從而刺激產品銷售。於回顧年度，儘管台灣經濟仍然衰退，然而，台灣市場亦從過往兩年跌勢復甦，錄得118,100,000港元之銷售額，較二零零六年97,400,000港元增長21.3%，成績令人鼓舞。倘Fonperi之零售額不計在內，相對二零零六年，台灣市場之產品銷售仍錄得5.5%之增長。

本集團於二零零七年四月推出的「Fonperi」零售品牌，正在市場迅速擴展。於二零零七年，「Fonperi」產品之總銷售額達15,400,000港元。

包括香港及馬來西亞之其他市場僅佔年內產品總銷售額1.2%。

		2007 二零零七年		2006 二零零六年		Changes 變動	
		HK\$'000 千港元	%	HK\$'000 千港元	%	HK\$'000 千港元	%
Service income	服務收益						
Training income	培訓收益	1,332	7.9%	1,975	8.1%	(643)	-32.6%
SPA service income	水療服務收益	13,356	79.0%	12,110	49.5%	1,246	10.3%
Management fee income	管理費收益	1,314	7.8%	8,503	34.7%	(7,189)	-84.5%
Others	其他	912	5.3%	1,894	7.7%	(982)	-51.8%
Total	總計	16,914	100.0%	24,482	100.0%	(7,568)	-30.9%

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

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, beauty and spa services through its self-owned spas. Service income are generated only 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. Service income generated from franchised spas is vital for them to cover their operating expenses such as rental, salary and utility. During the year, income from services decreased by 30.9% to HK\$16.9 million when compared with 2006, which was mainly attributable to the reduction of management fee income in the Taiwan markets. Since 2007, the management decided not to charge the franchised stores in Taiwan for management fee income, resulted in the reduction of HK\$7.5 million management fee income.

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.

Also, service income generated from training income decreased by 32.6% to HK\$1.3 million during the year under review, as training is viewed as an integral part of our business model to ensure the service quality of our franchise networks and not intended to be a profit centre.

On the other hand, SPA service income from self-own stores increased by 10.3% to HK\$13.4 million, mainly due to the growth in income derived from self-own spas in PRC market. With more self-own spa opened and free training provided to improve the service quality, service income in the PRC market increased by HK\$1.3 million or 22.7% to HK\$6.8 million in 2007.

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 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 are responsible for all the profits and losses of the operations and sell the Group's products in their stores, while the Group receives a fixed annual entrustment fee until those operators repay the Group's initial investment in 5 years. The entrusted spas then become regular franchised spas.

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。由於按照現行加盟經營計劃，本集團不能分佔加盟者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。加盟水療中心所得服務收益對加盟者甚為重要，彼等賴以承擔租金、薪金及水電費等經營開支。年內，來自該等服務之收益較二零零六年減少30.9%至16,900,000港元，主要為台灣市場之管理費收入減少所致。自二零零七年起，管理層決定不會向台灣之加盟店收取管理費收益，從而導致管理費收益減少7,500,000港元。

儘管本集團須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，整體而言能帶來更為豐厚盈利，且更具成本效益。

此外，於回顧年度，由於培訓被視作本集團整體業務其中一環，藉以確保加盟經營網站之服務質素，且擬作為核心溢利來源，故源自培訓之服務收益減少32.6%至1,300,000港元。

另一方面，源自自資經營店舖之SPA服務收入增加10.3%至13,400,000港元，主要由於中國大陸市場之自資經營水療中心服務收益上升所致。隨著更多自資經營水療中心開業，加上本集團提供免費培訓以改善服務質素，於二零零七年，中國大陸市場之服務收益上升1,300,000港元或22.7%至6,800,000港元。

委託經營

委託經營的水療中心由本集團擁有並由信譽昭著的經營者經營。水療中心以往由本集團經營。為更有效撥財務及人力資源，本集團委託中國大陸當地優秀經營者經營本集團自資經營的水療中心，於中國大陸訂有經營年期介乎一至五年之委託安排。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，直至該等經營者於五年內清償本集團初步投資額為止。委託經營之水療中心因而成為固定年期加盟水療中心。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

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 by 40.1% to HK\$2.8 million in 2007 compared to HK\$4.7 million in 2006. The drop in entrustment income was because certain entrustment arrangements were expired during the year.

Other income

Other income mainly represented the rental income from investment properties of HK\$3.7 million, interest income of HK\$6.8 million, financial refunds of HK\$9.7 million, realized and unrealized gain on held-for-trading investments of HK\$4.1 million, gain on disposal of an associate of HK\$1.0 million, gain on disposal of investment property of HK\$1.2 million and others for the remaining balance. Other income decreased by 31.4%, or HK\$14.8 million from HK\$47.3 million in 2006 to HK\$32.5 million in 2007. The decrease is mainly attributable to the decrease in financial refund in PRC of HK\$16.8 million as we accrued the refund up to the first half year of 2007. Also, we have sold one of the investment properties during the year which resulted to the decrease in rental income by HK\$2.5 million.

Distribution and administrative cost

The Group's distribution and selling costs as a percentage of turnover decreased from 27.9% in 2006 to 26.2% in 2007. The total costs in dollar terms increased by HK\$16.5 million, from HK\$101.4 million in 2006 to HK\$117.9 million in 2007. We continue to increase our advertising exposure in various media, the Group's advertising costs and promotional expenses increased by HK\$8.2 million to HK\$59.4 million in 2007. In percentage terms, it represents 13.2% of total turnover in 2007 compared to 14.1% in 2006. Other key expense items mainly include salary, commission, travel expenses and rental expenses, which amounted to HK\$16.4 million, HK\$4.4 million, HK\$5.3 million and HK\$11.8 million respectively.

Administrative expenses as a percentage of turnover slightly increased from 16.3% in 2006 to 16.6% in 2007. The cost mainly covered salary, legal and professional fee, depreciation and rental charges. Total administrative expenses increased by HK\$15.0 million to HK\$74.5 million in 2007 compared to HK\$59.5 million in 2006. It is mainly caused by the additional salary expenses for the executives recruited from multinational corporations for PRC and Taiwan operation.

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

委託經營收益由二零零六年4,700,000港元減少40.1%至二零零七年2,800,000港元。委託經營收益減少乃由於若干委託經營安排於本年度內屆滿所致。

其他收益

其他收益主要為來自投資物業之租金收益3,700,000港元、利息收益6,800,000港元、財務退款9,700,000港元、持作買賣投資之已變現及未變現收益4,100,000港元、出售一家聯營公司收益1,000,000港元、出售投資物業收益1,200,000港元，餘額則來自其他項目。其他收益由二零零六年47,300,000港元減少31.4%或14,800,000港元至二零零七年之32,500,000港元，主要由於本集團僅累計截至二零零七年上半年之財務退款，導致中國大陸財務退款減少16,800,000港元所致。此外，本集團於年內售出其中一項投資物業，令租金收益減少2,500,000港元。

分銷及行政費用

本集團分銷及銷售成本佔營業額百分比由二零零六年27.9%減至二零零七年26.2%。按幣值計，總成本由二零零六年之101,400,000港元增加16,500,000港元至二零零七年117,900,000港元。本集團持續提高於各媒體的曝光率，故廣告成本及宣傳開支於二零零七年增加8,200,000港元至59,400,000港元。按百分比計算，相當於二零零七年總營業額13.2%，而二零零六年則為14.1%。其他重要開支項目主要包括薪金、佣金、差旅費及租金開支，分別為16,400,000港元、4,400,000港元、5,300,000港元及11,800,000港元。

行政開支佔營業額百分比由二零零六年16.3%略增至二零零七年16.6%。有關成本主要包括薪金、法律及專業費用、折舊及租金開支。行政開支總額較二零零六年59,500,000港元上升15,000,000港元至二零零七年之74,500,000港元，主要由於就中國大陸及台灣業務自跨國機構羅致行政人員，產生額外薪金開支所致。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Other expenses

Other expenses in 2007 totaled HK\$4.2 million, reduced by 38.3% compared to HK\$6.9 million in 2006, mainly represented the bank charges of HK\$2.2 million. The main reason for the reduction of expenses was because there was loss of disposal of fixed assets, resulting from the shop revamping exercises in PRC in the previous year. In addition, inventory provision of HK\$1.3 million was charged in 2006, partly due to the product repackaging initiative.

Profit before taxation

The increase in gross profit, netting the reduction in other income, the increase in distribution and administrative cost, as well as decrease in other expenses, has led to 19.2% surge in profit before tax, from HK\$174.5 million in 2006 to HK\$208.0 million in 2007.

Taxation

Taxation expenses decreased 43.4% from HK\$51.6 million in 2006 to HK\$29.2 million in 2007. The effective tax rate of the Group for financial year ended 31 December 2006 and 2007 were 29.6% and 14.1% respectively. The drop in effective tax rate was benefited from our PRC operation, where a subsidiary started to utilize the first year benefit from its two-year exemption followed by three-year half deduction profit tax holiday (2+3 tax holiday).

Net profit for the year

As a result, the net income for the year increased by 45.6% from HK\$122.8 million in 2006 to HK\$178.8 million in current year.

其他支出

於二零零七年之其他支出合共4,200,000港元，較二零零六年6,900,000港元減少38.3%，當中主要為銀行收費2,200,000港元。支出減少之主要原因為去年中國大陸之店舖翻新，產生出售固定資產虧損。此外，於二零零六年由於推行產品包裝革新計劃提撥存貨撥備達1,300,000港元。

除稅前溢利

由於毛利上升，扣除其他收益減少，分銷及行政費用增加以及其他支出減少後，導致除稅前溢利由二零零六年174,500,000港元躍升19.2%至二零零七年208,000,000港元。

稅項

稅項支出由二零零六年51,600,000港元下降43.4%至二零零七年29,200,000港元。本集團截至二零零六年及二零零七年十二月三十一日止財政年度的實際稅率分別為29.6%及14.1%。實際稅率下調，乃受惠於本集團中國大陸之業務，當地一家附屬公司踏入其兩年免稅期之首年，其後更享有三年所得稅減半之優惠(2免3減半優惠)。

本年度純利

基於上述各項，本年度之全年收益淨額較二零零六年122,800,000港元上升45.6%至178,800,000港元。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Liquidity and financial resources

Cash generated from operating activities for 2007 was approximately HK\$274.2 million (2006: HK\$106.2 million). The increase was primarily due to the changes in working capital. As at 31 December 2007, the Group had bank balances and cash of approximately HK\$588.7 million (2006: HK\$356.2 million and trading securities which are mainly quasi-money market funds of approximately HK\$27.7 million) with no external bank borrowing.

In terms of gearing, as at 31 December 2006 and 2007, 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 2006 and 2007 were 5.7 times and 7.2 times respectively. As at 31 December 2007, the Group had no material contingent liabilities, other than those disclosed in its financial statements and notes thereto. With the cash and bank balances 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

There was no asset pledged as at 31 December 2007.

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 2007, approximately 44.9% (2006: 66.9%) of the Group's bank balances and cash was denominated in Renminbi, while approximately 33.6% (2006: 22.2%) was denominated in New Taiwan Dollar and the remaining 21.5% (2006: 10.9%) 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.

流動資金及財務資源

二零零七年經營業務所得現金約為274,200,000港元(二零零六年: 106,200,000港元), 有關增幅主要由於營運資金變動所致。於二零零七年十二月三十一日, 本集團有銀行結存及現金約588,700,000港元(二零零六年: 356,200,000港元及買賣證券(主要為保本債券基金)約27,700,000港元), 另外並無銀行借款。

資產負債方面, 於二零零六年及二零零七年十二月三十一日, 本集團資產負債比率(界定為淨負債除股東權益)為零, 此乃由於本集團於兩個年結日均有淨現金結餘。於二零零六年及二零零七年十二月三十一日, 本集團的流動比率(界定為流動資產除流動負債)分別為5.7倍及7.2倍。於二零零七年十二月三十一日, 除於本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銀行結存, 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。

資產抵押

於二零零七年十二月三十一日, 本集團並無抵押任何資產。

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。於二零零七年十二月三十一日, 本集團銀行結存及現金中約44.9%(二零零六年: 66.9%)以人民幣計值, 另約33.6%(二零零六年: 22.2%)以新台幣計值, 餘下21.5%(二零零六年: 10.9%)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, 並於需要時使用衍生金融工具對沖有關風險。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

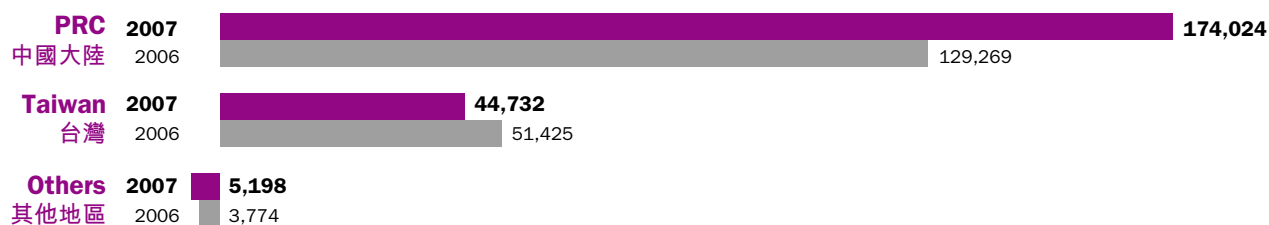
BUSINESS REVIEW

業務回顧

By geographic region	按地域劃分之營業額	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	Variance 變動 HK\$'000 千港元	Variance 變動 %
PRC	中國大陸				
Turnover – Product sales	營業額 – 產品銷售	307,161	229,740	77,421	33.7%
Turnover – Service	營業額 – 服務	6,830	5,567	1,263	22.7%
Turnover – Entrustment	營業額 – 委託經營	2,817	4,704	(1,887)	-40.1%
PRC Total	中國大陸業務總計	316,808	240,011	76,797	32.0%
Taiwan	台灣				
Turnover – Product sales	營業額 – 產品銷售	118,130	97,374	20,756	21.3%
Turnover – Service	營業額 – 服務	8,707	17,446	(8,739)	-50.1%
Turnover – Entrustment	營業額 – 委託經營	–	–	–	n/a
Taiwan Total	台灣業務總計	126,837	114,820	12,017	10.5%
Others	其他地區				
Turnover – Product sales	營業額 – 產品銷售	5,125	7,446	(2,321)	-31.2%
Turnover – Service	營業額 – 服務	1,377	1,469	(92)	-6.3%
Turnover – Entrustment	營業額 – 委託經營	–	–	–	n/a
Others Total	其他地區業務總計	6,502	8,915	(2,413)	-27.1%

OPERATING PROFITS BY GEOGRAPHICAL REGION

按地域劃分之營業額



Management Discussion & Analysis (Continued)

管理層討論及分析(續)

PRC Market

The Group has implemented its brand revamping exercise since 2005. In 2007, the efforts started to pay off and brought encouraging growth for product sales. The growth was also resulted from the intensive training on service quality and selling skills of the franchised stores. The product sales in the PRC increased by 33.7% to reach HK\$307.2 million. Product gross margin also registered a growth of 2.3 percentage points, from 85.4% to 87.7% in the year under review.

The Group's entrustment strategy continued to pay off. The Group entrusted its spas to reputable operators in established areas to enhance cost-efficiency. Although the Group only received entrustment fees and product revenue from the operators, the entrustment successfully minimized the loss incurred in the past. Hence the Group's overall gross profit in the PRC increased by HK\$71.3 million and the overall gross margin increased from 81.9% to 84.5% in 2007, representing a year-on-year growth of 2.6 percentage points.

The operating profit increased by 34.6% to HK\$174.0 million as compared to HK\$129.3 million in 2006. While operating margin improved from 53.9% in 2006 to 54.9% in 2007, the overall net margin in the PRC also improved from 37.2% in 2006 to 49.9% in 2007.

Taiwan Market

Despite the economic recession in Taiwan during 2007, the product sales in this market increased by 21.3% to HK\$118.1 million in 2007 as compared to HK\$97.4 million in 2006, which was mainly attributable to the HK\$15.4 million from our newly launched retail brand "Fonperi" products with sales debut in April 2007.

The service revenue generated from the Taiwan market decreased by HK\$8.7 million compared to that of last year, as we have decided not to charge the management fee income to the franchised stores in Taiwan market, to remain competitive in the crowd market.

中國大陸市場

本集團於二零零五以來一直實行品牌提升計劃。於二零零七年，本集團之努力開始取得成果，並為產品銷售帶來理想增長。針對加盟店服務質素及銷售技巧而設之深造培訓亦為增長之原因。本集團於中國大陸的產品銷售增加33.7%至307,200,000港元。於回顧年度，產品銷售之邊際毛利增加2.3個百分點，由85.4%上升至87.7%。

本集團的委託經營策略繼續獲得成果。本集團將位於發展成熟地區的水療中心委託優秀經營者營運，以增加成本效益。儘管本集團僅向經營者收取委託經營費用及產品收益，委託經營過去成功將虧損減至最低。因此，本集團於二零零七年在中國大陸的整體毛利增加71,300,000港元，而整體邊際毛利亦由81.9%躍升至84.5%，按年增長2.6個百分點。

本年度的經營溢利較二零零六年129,300,000港元增加34.6%至174,000,000港元。經營邊際利潤由二零零六年53.9%增長至二零零七年54.9%，而中國整體淨邊際利潤亦由二零零六年37.2%上調至二零零七年49.9%。

台灣市場

儘管台灣於二零零七年出現經濟衰退，但集團於該市場之產品銷售額仍較二零零六年97,400,000港元上升21.3%至二零零七年118,100,000港元，主要歸因於二零零七年四月推出全新零售品牌「Fonperi」產品所帶來15,400,000港元之收益。

由於本集團決定不會向於台灣市場之加盟店收取管理費用收益，以維持市場競爭力，台灣市場之服務收益因而較去年下跌8,700,000港元。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Distribution channels

Store Number by Ownership

As at 31 December 2007	於二零零七年十二月三十一日	Franchisee			Total Spa 水療中心 總計	Entrusted Counter 委託經營 專櫃	Self owned Counter 自資經營 專櫃	Total Counter 專櫃總計	Group Total 集團總計	Retail Channel 零售渠道	Grand Total 全部合計
		owned Spa 加盟者擁有 水療中心	Entrusted Spa 委託經營 水療中心	Self owned Spa 自資經營 水療中心							
Taiwan	台灣	447	-	10	457	-	-	-	457	1,394	1,851
PRC	中國大陸	1,400	1	7	1,408	10	47	57	1,465	-	1,465
Others	其他地區	51	-	2	53	-	-	-	53	-	53
Total	總計	1,898	1	19	1,918	10	47	57	1,975	1,394	3,369

分銷渠道

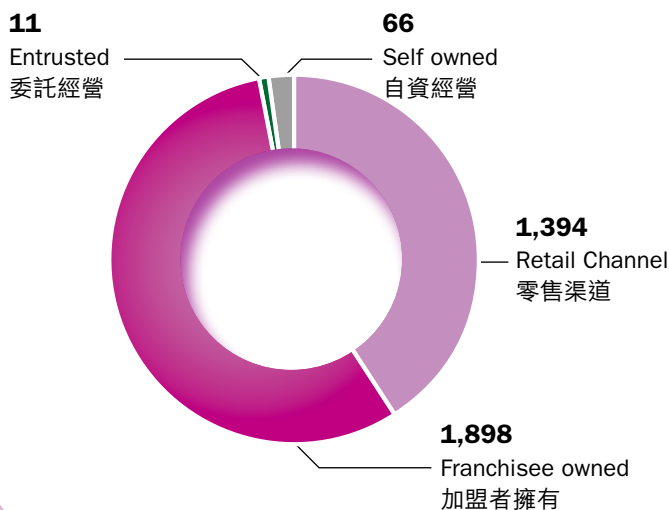
按擁有權劃分之店舖數目

Store Number by Ownership

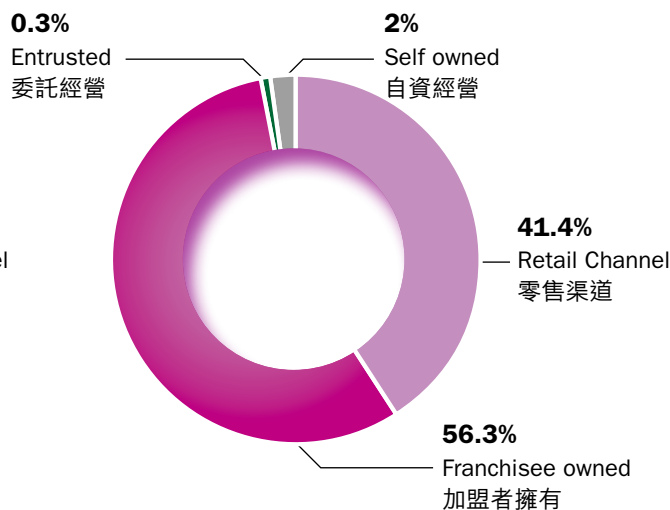
As at 31 December 2007	於二零零七年十二月三十一日	Franchisee			Retail Channel 零售渠道	Total 總計
		owned 加盟者擁有	Entrusted 委託經營	Self owned 自資經營		
Taiwan	台灣	447	-	10	1,394	1,851
PRC	中國大陸	1,400	11	54	-	1,465
Others	其他地區	51	-	2	-	53
Total	總計	1,898	11	66	1,394	3,369

按擁有權劃分之店舖數目

STORE NUMBER BY OWNERSHIP (3,369) 按擁有權劃分之店舖數目 (3,369)



STORE NUMBER BY OWNERSHIP (%) 按擁有權劃分之店舖數目(%)



Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Average Sales per Store without adjusting PRC Store numbers: 調整中國店舖數目前每間店舖平均銷售額：

Average sales per store	每間店舖平均銷售額	2007 二零零七年	2006 二零零六年	2007 二零零七年	2006 二零零六年	Changes	Changes
		Average store * 平均店舖 數目*	Average store* 平均店舖 數目*	Average sales per store 每間店舖 平均銷售額 HK\$ 港元	Average sales per store 每間店舖 平均銷售額 HK\$ 港元	變動 HK\$ 港元	變動 %
PRC	中國大陸	1,765.0	1,626.0	179,000	148,000	31,000	20.9%
Taiwan	台灣	483.5	523.0	230,000	220,000	10,000	4.5%
Group total**	集團總計**	<u>2,274.0</u>	<u>2,194.5</u>	<u>188,000</u>	<u>166,000</u>	<u>22,000</u>	<u>13.3%</u>

Average Sales per Store after adjusting PRC Store numbers: 調整中國店舖數目後每間店舖平均銷售額：

Average sales per store	每間店舖平均銷售額	2007 二零零七年	2006 二零零六年	2007 二零零七年	2006 二零零六年	Changes	Changes
		Average store * 平均店舖 數目*	Average store* 平均店舖 數目*	Average sales per store 每間店舖 平均銷售額 HK\$ 港元	Average sales per store 每間店舖 平均銷售額 HK\$ 港元	變動 HK\$ 港元	變動 %
PRC (see note)	中國大陸(見附註)	1,407.0	1,268.0	225,000	189,000	36,000	19.0%
Taiwan	台灣	483.5	523.0	230,000	220,000	10,000	4.5%
Group total**	集團總計**	<u>1,890.5</u>	<u>1,791.0</u>	<u>227,000</u>	<u>198,000</u>	<u>29,000</u>	<u>14.6%</u>

* 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.

Note: The group has revised the average store numbers in both 2006 and 2007. Before 2007, there was no enforcement of formal procedures to finalise the termination of franchisee contracts. As at 31 December 2007, there were 358 stores which had not completed all the closure procedures over the years and remained on the list, but the stores are no longer in business at the recorded addresses, including those affected by urban re-development at their previous locations (e.g. Beijing area).

* 平均店舖數目以(開業期間總計+結業期間總計)/2計算

** 集團總計不包括於香港及馬來西亞之營業額及店舖數目。

附註：本集團修訂二零零六年及二零零七年平均店舖數目。於二零零七年前，本集團並沒有強制執行與加盟店合約結束而辦理正式閉店之所有手續，因此於二零零七年十二月三十一日，店舖名單上仍留有358間正在申請辦理結束手續，但實際上已經結束營業的店舖地址，包括在各城市如北京等地區城市改造而需要另覓新地點之店數。

Management Discussion & 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 2007 there were 1,918 spas and 57 counters. All spas provide a variety of services, including hydrotherapy, facial, body care and skin care analysis to its customers, whereas counters in department stores usually provide skin care analysis.

As of 31 December 2007, there were total 1,898 franchisee spas, and 19 spas and 47 counters directly operated by the Group. There were also 1 spa and 10 counters being entrusted to reputable operators.

A total of 238 new stores were opened during the year, and 173 stores were closed, stores that have closed were mainly seeking larger locations or were forced to move due to Beijing Olympics.

In order to present a more meaningful view of the operations for comparison purpose, we have revised the respective store numbers to present consistent average sales per store for our effective stores for each of the years ended 31 December 2006 and 2007. The average sales per store in PRC increased by 19% from HK\$189,000 in 2006 to HK\$225,000 in 2007. In Taiwan, we still managed to improve average sales per store by 4.5% despite the overall economy recession.

Our target is to encourage franchisees to open bigger spas with revamped image, to improve the average store sales through adding more service spaces. There were also 161 retail outlets in Taiwan to pilot test retail products as of 31 December 2006. Since the launch of the Fonperi products, the retail outlets in Taiwan has increased to 1,394 points of sales as at 31 December 2007 including Watsons, Carrefour, Geant, RT-Mart, Wellcome, FamilyMart and others.

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.

本集團收益主要來自其獨有的水療中心及百貨公司專櫃分銷渠道。於二零零七年十二月三十一日，本集團開設1,918間水療中心及57間專櫃。各水療中心均向顧客提供多種服務，包括水療、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。

於二零零七年十二月三十一日，本集團共有1,898間加盟水療中心，19間水療中心及47個專櫃由本集團直接經營，另有1間水療中心及10個專櫃則委託予優秀經營者經營。

年內，本集團合共開設238間新店舖，另有173間店舖結業。店舖結業主要為尋求更寬敞地點，或因舉辦北京奧運而被迫搬遷。

為能表達更真實的經營情況及作出比較，本集團已更改二零零六年及二零零七年中國大陸店舖數目，同時也更新了二零零六年及二零零七年之有效店舖平均銷售額。於中國大陸，每間店舖平均銷售額由二零零六年189,000港元增加19%至二零零七年225,000港元。於台灣，即使面對整體經濟衰退，本集團仍能改善每間店舖平均銷售額，增幅為4.5%。

本集團旨在鼓勵加盟商開設更大型，且具嶄新形象之水療中心，透過增添更大服務空間，增加店舖平均銷售額。截至二零零六年十二月三十一日，台灣共有161間零售店，作為零售產品之試點。自「Fonperi」產品面市以來，於二零零七年十二月三十一日，本集團於台灣之零售店已增至1,394個，當中包括設於屈臣氏、家樂福、愛買、大潤發、惠康、全家及其他店舖之銷售點。

加盟水療中心由加盟者擁有，彼等須承擔水療中心的資本投資，另須於水療中心使用「自然美」或「NB」品牌產品。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

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 as model spas in new markets, the Group considers it would be more profitable with high product gross margin and cost-efficient as a whole to allocate resources to stimulate product sales instead of expanding the operation of self-owned spas, as higher overhead costs were incurred compared to franchised spas. The Group, therefore, has entrusted and will continue to entrust certain of its self-owned spas in explored markets to reputable operators.

The Group believes the entrustment strategy will create a win-win situation for both the operators and the Group. Local operators can better serve the specific needs of local customers, and hence generate more sales and service revenues. The Group, on the other hand, can secure a steady annual entrustment income while maintaining its distribution network and re-allocating its resources to explore new markets. In 2007, the Group's overall gross margin further improved to 82.8%, compared to 81.1% in 2007, representing a year-on-year growth of 1.7 percentage points.

Store-Front Revamp of Existing Franchised Spas

As the Group has a vast network of franchised spas, it is impractical to request all the franchisees to renovate their spas according to Group's new franchised store image. Therefore, the Group has an interim arrangement and allows the existing franchisees to revamp their spa with minimum efforts and financial resources. As at 31 December 2007, 99% of all our spas have revamped the store image.

Product Repackaging

The Group's brand revamping 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 363 (2006: 221) products have changed their product packages by the end of 2007. This has led to a higher product gross margin in the PRC from 85.4% in 2006 to 87.7% in 2007, up by 2.3 percentage points. We will continue to repackage our existing product lines by phases in 2008.

自資經營水療中心主要為作為潛在加盟者的水療中心模範而設立。儘管本集團須於新市場設立自資經營水療中心作為水療中心模範，然而，由於自資經營水療中心的經常成本較加盟店為高，故本集團認為，將擴充自資經營水療中心的資源用於刺激產品銷售，整體而言，可帶來高產品邊際毛利及成本效益，更為有利可圖，因此，本集團已經及將會繼續將其於已開發市場之若干自資經營水療中心委託優秀經營者經營。

本集團相信，委託策略將為經營者及本集團締造雙贏局面。本地經營者可提供更能迎合當地顧客特定需要之服務，從而獲取更多產品銷售及服務收益。另一方面，本集團可每年獲取穩定委託經營收益，同時維持廣闊之分銷脈絡，並有效劃撥資源開拓新市場。於二零零七年，本集團整體邊際毛利較二零零七年81.1%進一步增加至82.8%，按年增長1.7個百分點。

翻新現有加盟水療中心店面

由於本集團的加盟水療中心網絡龐大，不可能要求所有加盟者按照本集團新加盟店形象翻新水療中心，因此，本集團制定過渡安排，容許現有加盟者以最少時間及財務資源裝修其水療中心。截至二零零七年十二月三十一日，本集團99%之水療中心已經塑造全新店鋪形象。

革新產品包裝

本集團品牌提升計劃亦延伸至產品包裝。為劃一形象，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。於二零零七年底，共有363款(二零零六年：221款)產品已轉換包裝，推動中國大陸產品邊際毛利由二零零六年85.4%上升2.3個百分點至二零零七年87.7%。本公司將繼續於二零零八年分階段革新現有產品系列。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Research and Development

In order to maintain our competitive edge, the Group emphasizes on research and development, so as to improve the quality of the existing products and develop new products. The Group has been collaborating with overseas cosmetic companies on technological development, imported biotechnology materials from Europe, Japan and Australia, which have been applied 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 develop high quality beauty and skin care products. NB principally uses natural ingredients in producing its products and adopts special formulation to suit the specific needs of the delicate skin type for oriental women. NB's products are attentive to the natural metabolism of skin with long-lasting effects.

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 to ensure the quality, effectiveness and safety standard of NB's products. When a product requires registration with relevant authorities, it will be done prior to market launch. 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.

研究及開發

為保持競爭優勢，本集團重視研究及開發，務求改善其現有產品之質素及開發新產品。本集團與海外化妝品公司合作研發新技術，同時引入歐洲、日本及澳洲生物科技物料，應用於自然美逾700種產品中。本集團之研究及開發隊伍由13名成員及多名具備化妝品、醫學、藥劑及生物化學經驗與專業知識之海外顧問組成。本集團不斷改良自然美產品，並於當中注入研究及開發隊伍研發之新成分。本集團相信，透過隊伍內不同專家之通力合作，加上蔡博士於業內積逾30年之經驗及知識，將有助開發優質美容及護膚產品。自然美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之特別需要。自然美產品針對肌膚自然新陳代謝，效用持久。

開發新產品時，研究及開發隊伍將考慮本集團高級管理人員的回應及意見。新產品之樣本將會分發予超過1,000名經選定之資深美容專業人士。產品全面推出市場前，或需因應測試結果進行調整或修正，以確保自然美產品達致一定水平之質素、功效及安全標準。倘產品須向有關機關登記，有關手續序將於產品面市前辦妥。所有自然美產品均保證符合一切相關規定。

除自然美竭誠努力之研究及開發隊伍外，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、抗敏及纖體產品。憑藉蔡博士於美容及護膚業超過30年之經驗，加上研究及開發人員之優越背景，自然美於研究及開發美容及護膚產品方面具備競爭優勢。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

The total research and development costs for the year ended 31 December 2007 amounted to HK\$1.7 million (2006: HK\$2.0 million).

New Products

After the successful launch of our flagship product, anti-aging NB-1 series in late 2003, we further launched NB-1 Whitening series, NB-1 anti-allergy and NB-1 pore refining series. In 2007, over 176,000 sets/bottles (2006: 162,000 sets/bottles) of NB-1 family products were sold with a turnover of HK\$134.5 million (2006: HK\$120.6 million), accounting for nearly one-third of the total product sales during 2007.

We also launched a retail brand “Fonperi” in Taiwan in April 2007, Fonperi products are sold via retail channels like supermarkets and drugstores, including 6 key accounts, namely Watsons, Carrefour, Geant, RT-Mart, Wellcome and FamilyMart, as well as 10 wholesalers. There were 1,394 retail points of sales selling “Fonperi” products in Taiwan. Since the launch in April 2007, over 400,000 units were sold with a turnover of HK\$15.4 million by the end of 2007.

In 2007, the Group continued to enrich the product range and launched 39 new products.

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 in 2004. There were three logistic centres in PRC operated by the Group. The Warehouse Management System (WMS) is now linked to Oracle ERP system. The implementation of all modules of the ERP in the PRC is now under the pilot testing stage.

In order to improve operating efficiency, the Group has developed a B2B portal for our franchisee to order goods online. In addition, we also have a B2C portal in our website for retail customers to shop online.

截至二零零七年十二月三十一日止年度，本集團之研究及開發成本為1,700,000港元(二零零六年：2,000,000港元)。

新產品

繼二零零三年底成功推出旗艦產品－抗衰老NB-1系列後，本集團進一步推出NB-1美白系列、NB-1防敏感及NB-1細緻毛孔系列。於二零零七年，本集團已售出超過176,000套／件(二零零六年：162,000套／件)NB-1系列產品，帶來營業額134,500,000港元(二零零六年：120,600,000港元)，佔二零零七年產品銷售總額約三分之一。

本集團於二零零七年四月在台灣推出零售品牌「Fonperi」，Fonperi產品透過大型超級市場及藥房等零售渠道銷售，其中包括6名主要客戶屈臣氏、家樂福、愛買、大潤發、惠康及全家以及10名批發商。於台灣，共有1,394個銷售點售賣「Fonperi」產品。自二零零七年四月面市以來，於二零零七年底，已售出逾400,000件產品，營業額達15,400,000港元。

本集團於二零零七年繼續豐富產品種類，並推出39款新產品。

資訊科技

本集團開始實施由甲骨文開發之企業資源規劃系統，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資訊傳遞，藉此更迅速及適時作出生產計劃及銷售預測。

台灣之企業資源規劃系統實施工作已於二零零四年完成。本集團於中國大陸運作三間物流中心。倉庫管理系統現已與甲骨文企業資源規劃系統連接。中國大陸方面之企業資源規劃系統所有模組之實行工作現處於測試階段。

為改善營運效率，本集團亦開發商業對商業(B2B)入門網站，供加盟者網上訂購貨品。此外，本集團亦於網站內另設有商業對客戶(B2C)入門網站，供零售顧客網上購物。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Human Resources

As at 31 December 2007, the Group had a total of 916 employees, of which 697 were based in PRC, 200 in Taiwan and 19 in other areas. Total remuneration (excluding directors' emoluments) for the year ended 31 December 2007 was appropriately HK\$79.5 million (2006: HK\$58.4 million), including retirement benefits cost of HK\$7.9 million (2006: HK\$6.1 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, for the purpose of providing incentives 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. On 27 July 2007, the Group granted options to certain employees to subscribe a maximum of 1,729,542 shares, subject to achieving certain performance targets. The stock options could be vested at a ratio of 50%, 30% and 20% for a three-year period.

The Directors also strengthened its professional management team by recruiting chief operational officer and some key management positions like head of sales and head of marketing for PRC and Taiwan market from multinational companies. The board believes that the recruitment of more industry experts will be beneficial to the Group's expansion for its long-term development in future.

人力資源

於二零零七年十二月三十一日，本集團合共聘有916名僱員，其中697名派駐中國，台灣有200名，其他地區則有19名。截至二零零七年十二月三十一日止年度，總酬金(不包括董事酬金)約為79,500,000港元(二零零六年：58,400,000港元)，其中包括退休福利成本7,900,000港元(二零零六年：6,100,000港元)。為招聘、挽留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。

本集團與僱員維持良好合作關係，著重向顧員提供培訓及發展，更定期為集團聘用之美容師及加盟者提供專業培訓課程，以提升及確保所提供服務之質素及一貫性。

此外，本集團已於二零零二年三月十一日採納認股權計劃，以回饋及鼓勵對本集團業務成就有所貢獻之合資格參與人士。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。於二零零七年七月二十七日，本集團向若干僱員授出認股權，於達成若干表現目標後可認購最多1,729,542股股份。認股權可於三年內按50%、30%及20%比率歸屬。

董事亦自跨國公司聘請營運總監以及銷售總監和市場策劃主管等若干主要管理職位，專責中國大陸及台灣市場，以壯大本集團之專業管理隊伍。董事會相信，增聘行業專才將有利本集團擴充業務，以達致日後長遠發展。

Management Discussion & Analysis (Continued)

管理層討論及分析(續)

Capital Expenditures

The Group's major capital expenditures were related to self-owned spas and machinery in our factories. During the year, the Group has acquired land and certain properties in PRC region for the factory to expand our production capacity in PRC market. There were HK\$53.8 million additions to fixed assets in 2007 (2006: HK\$11.3 million), including a factory purchased in Shanghai for HK\$30.4 million to expand the production capacity, renovation as well as addition of furniture and fixtures for our self-owned spas amounted to HK\$9.6 million and HK\$9.1 million respectively.

Franchisees are responsible for the capital expenditures of their spas.

OUTLOOK

China

Regardless of the recent global financial turmoil, China is still one of the fastest growing economies in the world, with consumer confidence running high. China remains the Group's strategic focus in the foreseeable future. We will continue to enhance the quality and consistency of the network and plan to open another 250 stores in 2008 and will continuously strive to achieve consistent growth in average sales per store by introducing new products in the portfolio.

Taiwan

Completion of the Taiwan Presidential election is expected to bring an end to the political uncertainties, furthermore, in light of the closer economic ties between the mainland and Taiwan, Taiwan's economy is expected to see strong recovery in 2008.

Our retail brand "Fonperi" launched in April 2007 is experiencing rapid market expansion and expected to increase the number of our retail points of sales from 1,394 at the end of 2007 to around 4,000 by the end of 2008.

For both markets, new products especially full-ranged health supplements will be introduced to reach extended family and friends of our existing client base.

資本開支

本集團主要資本開支與自資經營水療中心及本集團廠房內機器相關。年內，本集團在中國大陸收購土地及若干物業作為廠房用途，以使集團能在中國大陸市場擴充產能。於二零零七年，本集團添置固定資產達53,800,000港元(二零零六年：11,300,000港元)，其中包括以30,400,000港元於上海購入廠房以擴充產能，以及分別以9,600,000港元及9,100,000港元為自資經營水療中心進行翻新工程及添置傢具及裝置。

加盟者須承擔其水療中心的資本開支。

前景

中國大陸

儘管最近全球金融市場動盪，中國大陸消費者信心高企，仍為全球經濟增長最快地區之一。中國大陸於可見將來繼續為本集團之策略重點。本集團將持續提升網絡質素及一致性，並計劃於二零零八年增設250間店舖，同時透過組合新的產品種類，繼續致力將每間店舖平均銷售額達致持續增長。

台灣

台灣總統大選完成，預期政治不明朗因素將隨之消失。此外，鑑於大陸與台灣之緊密經濟聯繫，台灣經濟預期將於二零零八年強勢復甦。

本集團零售品牌「Fonperi」於二零零七年四月推出，正在市場急速擴展，預期本集團零售點數目將由二零零七年年末1,394個增至二零零八年年末4,000個。

對兩個市場而言，本集團將推出多款新產品，特別是全面的保健食品，務求將現有客戶基礎延伸至客戶之家庭及朋友層面。

Report on Corporate Governance

企業管治報告

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board had adopted Corporate Governance (“CG”) Guideline (available on website: www.nblife.com/ir) which gives guidance on how corporate governance principles are applied to the Company.

The Company applied the principles and complied with all the code provisions set out in Appendix 14 Code of Corporate Governance Practices (the “Code”) of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The following summarises the Company’s corporate governance practices and explains deviations, if any, from the Code.

In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in light of local and international best practices.

STATEMENT OF COMPLIANCE

A. Directors

A1. The Board

Details of Directors’ attendance records in 2007 are as follows:

Executive Directors

Dr. TSAI Yen Yu
Mr. LEE Ming Ta
Dr. SU Chien Cheng
Dr. SU Sh Hsyu

執行董事

蔡燕玉博士
李明達先生
蘇建誠博士
蘇詩琇博士

Independent Non-Executive Directors

Mr. YEH Liang Fei
Mrs. CHEN Shieh Shu Chen
Mr. CHEN Ching

獨立非執行董事

葉良輝先生
陳謝淑珍女士
譚清先生

Directors are consulted to include any matter in the agenda for regular Board meetings.

The Company generally gives notice and draft agenda of regular Board meetings at least 14 days in advance. The Company aims at giving reasonable notice generally for all other Board meetings.

本公司董事會及管理層致力維持高標準之企業管治水平。董事會已採納有關本公司如何應用企業管治原則之企業管治指引(於網站www.nblife.com/ir可供參閱)。

本公司已應用香港聯合交易所有限公司證券上市規則(「上市規則」)附錄14之企業管治常規守則(「守則」)所載原則，並已遵守當中所載全部守則條文。下文概述本公司之企業管治常規，並闡釋偏離守則(如有)之原因。

除符合適用法規外，本公司致力參照本地及國際最佳常規，持續檢討及改進企業管治常規。

遵例聲明

A. 董事

A1. 董事會

二零零七年之董事出席記錄詳情如下：

Remuneration Committee Meeting 薪酬委員會會議	Audit Committee Meeting 審核委員會會議	Board Meeting 董事會會議
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n/a	n/a	6/6
n/a	n/a	6/6
n/a	3/3	6/6
n/a	n/a	6/6

1/1	4/4	5/5
1/1	4/4	5/5
1/1	4/4	5/5

各董事獲諮詢，以提出任何商討事項列入董事會常規會議議程。

本公司一般就董事會常規會議發出至少十四天預先通知及會議議程初稿。本公司力求就所有其他董事會會議發出時間合理之通知。

Report on Corporate Governance (Continued)

企業管治報告(續)

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Company Secretary is responsible for taking minutes of Board and Board Committee meetings, which would be sent to Directors within a reasonable time (generally within 14 days) after each meeting and would be made available for inspection by Directors and committee members.

Natural Beauty's corporate governance guidelines allow Directors to take independent professional advice at the Company's expense.

Instead of by way of circulation, full Board meetings will be held for any material transactions with connected persons. Independent Non-Executive Directors who, and whose associates, have no material interest in the transaction should be present at such meeting.

The Company's articles provide for voting and quorum requirements conforming with Code requirements.

A2. Chairman and Chief Executive Officer

Dr. TSAI Yen Yu serves as the Chairman and Ms. Yeung Wong Sau Ping serves as COO China and Mr. Shiao Wen Chung serves as COO Taiwan and other markets. The Chairman focuses on Group strategic and Board issues. The COOs have overall chief executive responsibility for operations and development generally.

The Chairman has a clear responsibility to provide the whole Board with all information relevant to the discharge of the Board's responsibilities.

The Company aims to continually improve on the quality and timeliness of the dissemination of information to Directors. (See Section A6 – "Supply of and access to information" for further details)

A3. Board composition

Composition of the Board, by category of Directors, including names of the executive Directors and Independent Non-Executive Directors are disclosed in all corporate communications.

A4. Appointments, re-election and removal

All directors, including Executive and Non-Executive Directors, serve three-year terms, and are subject to re-election.

According to the Articles of the Company, new Directors are required to submit themselves to election at the first general meeting (either Annual General Meeting ("AGM") or Extraordinary General Meeting ("EGM")) following their appointment.

全體董事均可與公司秘書聯絡。公司秘書之職責為確保妥為遵從董事會程序以及就企業管治及合規事宜向董事會提供建議。

公司秘書負責董事會及其轄下委員會會議之會議記錄，而會議記錄將於各會議後合理時間內(一般為十四日內)送交各董事，並可供各董事及委員會成員查閱。

自然美之企業管治指引容許董事徵求獨立專業意見，費用由本公司支付。

就任何與關連人士進行之重大交易，將會舉行全體董事會會議，而不會以傳閱文件方式處理。於交易中並無重大權益之獨立非執行董事及彼等之聯繫人士須出席該會議。

本公司之章程細則規定投票及法定人數須符合守則之規定。

A2. 主席及行政總裁

蔡燕玉博士為主席，楊王秀萍女士出任中國首席營運總裁，而蕭文聰先生則出任台灣及其他市場之首席營運總裁。主席專注本集團之策略及董事會事務。首席營運總裁則擔綱行政總裁職務，掌管整體業務營運及發展。

主席有明確職責，須向全體董事會提供所有與履行董事會職責有關之資料。

本公司致力持續改善向董事發佈資料之質素及適時程度(進一步詳情請參閱第A6節-「資料提供及查閱」)

A3. 董事會組成

在所有公司通訊中均按董事類別(包括執行董事及獨立非執行董事姓名)披露董事會的組成。

A4. 委任、重選及撤換

所有董事(包括執行及非執行董事)於出任三年後均須接受重選。

根據本公司章程細則，新任董事須在接受委任後首次股東大會(不論為股東週年大會(「股東週年大會」)或股東特別大會(「股東特別大會」))接受選舉。

Report on Corporate Governance (Continued)

企業管治報告(續)

At each AGM, one-third of the Directors (including Executive and Non-Executive Directors), or, if their number is not three or a multiple of three, then the number not less than one-third, shall retire from office by rotation such that every director is subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereafter.

A5. Responsibilities of directors

On appointment, new Directors will be given a comprehensive orientation training by the Company's legal counsel, to explain the responsibilities and duties, and other regulatory requirements.

The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.

All independent Non-Executive Directors are members of the two standing committees of the Board, namely the Audit Committee and Remuneration Committee.

There was satisfactory attendance for Board and Board Committee meetings in 2007.

Throughout the year, Directors complied with the required standards of the Model Code set out in Appendix 10 to the Listing Rules regarding Directors' securities transactions.

The Company conducted compliance trainings for all Directors and senior management during the year. There were also compliance manuals provided to each of the Directors and members of senior management, which set out (a) the principal continuing obligations of the Company and the Directors as a result of the listing of the securities of the Company on the main board of The Stock Exchange of Hong Kong Limited; and (b) the systems and procedures that the Company, its Directors and senior management should follow in order to ensure compliance with such obligations.

A6. Supply of and access to information

Board papers were sent to all Directors at least three days before the date of board/committee meeting.

Senior management from time to time brought into formal and informal contact with the Board at board meetings and other events.

於每屆股東週年大會上，三分之一董事(包括執行及非執行董事)，或如董事人數並非三或三之倍數，則為不少於三分之一之人數須輪值退任，致令每名董事均最少每三年輪值退任一次。每年退任之董事應為自彼等上次獲選起計任期最長者，倘多名董事於同日獲委任，除非彼等私下另有協定，否則將以抽籤方式決定將退任人士。退任董事須留任直至彼將退任之大會結束為止，屆時將合資格於會上應選連任。

A5. 董事責任

新任董事於獲委時均會獲本公司法律顧問提供全面迎新培訓，向彼闡釋有關職責、職務及其他監管規定。

公司秘書負責知會全體董事最新之上市規則及其他法例規定。

全體獨立非執行董事均為董事會兩個常務委員會，即審核委員會及薪酬委員會之成員。

二零零七年度各董事會及董事會委員會會議之出席率令人滿意。

於整個年度內，各董事一直遵守上市規則附錄10有關董事進行證券交易的標準守則所載規定標準。

本公司年內向所有董事及高級管理人員提供合規培訓。各董事及高級管理層成員亦獲給予合規手冊，當中載列(a)本公司及董事因本公司證券於香港聯合交易所有限公司主板上市而須持續承擔之主要責任；及(b)本公司、董事及高級管理人員須遵從之制度及程序，以確保履行有關責任。

A6. 資料提供及查閱

董事會文件至少須於董事會／委員會會議舉行日期前三天送交各董事。

高級管理層不時於董事會會議及其他場合與董事會正式或非正式會面。

Report on Corporate Governance (Continued)

企業管治報告(續)

Board papers and minutes are made available for inspection by Directors and Committee Members.

B. Remuneration of Directors and Senior Management

B1. The level and make-up of remuneration and disclosure

The Company set up a Remuneration Committee in 2005. Full terms of reference are available on the Company's website: www.nblife.com/ir.

With reference to the remuneration committee charter, each committee member had carefully reviewed and considered the terms of the expired service contracts during the year, contribution of each of the Directors to the Group, the Directors' experience in the beauty and spa business and the market rate paid by comparable companies.

The terms of the renewed service contracts of each of the Directors remain unchanged and the service contracts were renewed for another three years.

Independent professional advice will be sought to supplement internal resources where appropriate.

C. Accountability and Audit

C1. Financial reporting

Directors are provided with reports on the management's strategic plans, updates on lines of business, financial objectives, plans and actions.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2007, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgements and estimates that are prudent and reasonable;
- prepared the accounts on going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Report of the Auditors on page 57.

董事會文件及會議記錄均可供董事及委員會成員查閱。

B. 董事及高級管理人員之薪酬

B1. 薪酬水平及組合以及披露

本公司於二零零五年設立薪酬委員會，其詳盡職權範圍載於本公司網站www.nblife.com/ir。

經參考薪酬委員會之規章後，各委員會成員已詳細檢討及考慮年內已屆滿服務合約之條款、各董事對本集團之貢獻、董事於美容及水療中心業務之經驗以及可資比較公司支付之市場薪酬。

有關各董事經重續之服務合約條款維持不變，且另行重續三年。

於適當時將會尋求獨立專業意見以補充內部資源。

C. 問責及核數

C1. 財務匯報

董事獲提供管理層有關之策略計劃、各項業務最新進展、財務目標、計劃及行動之報告。

董事須負責存置適當會計記錄及就各財務期間編製賬目，以真實和公平地反映本集團業務狀況及於該期間之業績及現金流量。於編製截至二零零七年十二月三十一日止年度之賬目時，董事已：

- 批准採納所有由香港會計師公會頒佈之適用香港財務報告準則；
- 挑選及貫徹應用適當會計政策；
- 作出審慎合理之判斷和估計；
- 按持續經營基準編製賬目。

核數師就其申報責任作出之聲明載於第57頁之核數師報告書內。

Report on Corporate Governance (Continued)

企業管治報告(續)

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

C2. Internal controls

The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. Management regularly reviews the effectiveness of the risk management and system of internal controls and compliance with best practices. The Executive Directors and Financial Controller also report to the Audit Committee twice a year on key findings regarding internal controls. The Audit Committee, in turn, communicates any material issues to the full Board.

C3. Audit Committee

Draft minutes prepared by the Company Secretary are sent to members within 14 days of each meeting.

None of the three Audit Committee members are former partners of the external auditors.

Full terms of reference (Audit Committee Charter) are available on the Company's website: www.nblife.com/ir.

The Audit Committee recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming AGM, Deloitte Touche Tohmatsu be reappointed as the external auditors for 2008.

There is an agreed procedure for Audit Committee members to take independent professional advice at the Company's expense.

D. Delegation by the Board

D1. Management functions

There is a defined schedule of matters reserved for full Board decision, including:

- Long-term objectives and strategies;
- Extension of group activities into new business areas;
- Preliminary announcements of interim and final results;

董事會將會於年報及中期報告、其他股價敏感公佈、根據上市規則須作出之其他財務披露、呈交監管機構之報告以及根據法規規例須予披露之資料中，作出平衡、清晰及易於理解的評價。

C2. 內部監控

董事會須全面負責內部監控制度，並檢討其成效。管理層定期檢討風險管理及內部監控制度之成效，並遵守最佳常規。執行董事及財務總監亦會就內部監控之主要檢討結果每年向審核委員會匯報兩次，而審核委員會則會將任何重大事宜知會全體董事會。

C3. 審核委員會

公司秘書草擬之會議記錄於各會議舉行十四日內寄交各成員。

三名審核委員會成員中並無外聘核數師前任合夥人。

完整職權範圍(審核委員會規章)刊載於本公司網站 www.nblife.com/ir。

審核委員會推薦董事會，且董事會已認可其見解，待於應屆股東週年大會獲股東批准後，再度委任德勤•關黃陳方會計師行為二零零八年外聘核數師。

現時已設有協定程序，讓審核委員會成員尋求獨立專業意見，費用由本公司支付。

D. 董事會權力之轉授

D1. 管理職能

現時已設有明確事項列表，列明須由全體董事會決定之事項，包括：

- 長期目標及策略；
- 擴展集團業務至新業務範疇；
- 中期及末期業績公佈初稿；

Report on Corporate Governance (Continued)

企業管治報告(續)

- Material banking facilities;
- Material acquisitions and disposals;
- Material connected transactions; and
- Annual internal controls assessment.

D2. Board Committees

The Board has established two Board Committees (Audit Committee and Remuneration Committee) with specific terms of reference available at the Company's website www.nblife.com/ir.

Board Committees present their respective reports to the Board after each meeting, which reports address their work and findings.

E. Communication with Shareholders

E1. Effective communication

Separate resolutions are proposed at the meeting on each substantially separate issue, including the election of individual Directors.

All Executive Directors, Independent Non-Executive Directors, and Chairman of the Audit Committee and the Remuneration Committee are requested to attend the forthcoming annual general meeting.

There is a dedicated section of "Shareholder Services" in the Company's website www.nblife.com/ir to provide comprehensive information related to shareholders.

E2. Voting by poll

Procedures for demanding a poll were set out in the notice of AGM and EGM during the year. These procedures were also explained during the AGM and EGM proceedings.

A representative of the Company's Share Registrar, Hong Kong Registrars Limited was appointed as scrutineer during the AGM and EGM.

Poll results were published in major Hong Kong newspapers on the business day following the meeting and posted on the website of the Stock Exchange and that of the Company www.nblife.com/ir.

- 重大銀行融資；
- 重大收購及出售；
- 重大關連交易；及
- 年度內部監控評估。

D2. 董事會轄下委員會

董事會轄下設有兩個董事委員會，即審核委員會及薪酬委員會，其明確職權範圍於本公司網站 www.nblife.com/ir 登載。

董事委員會於各會議後向董事會提呈相關報告，當中載列其工作或所得結果。

E. 與股東溝通

E1. 有效溝通

於股東大會上，均已就每項大致上獨立之事宜(包括選舉個別董事)個別提呈決議案。

全體執行董事、獨立非執行董事、審核委員會及薪酬委員會主席均須出席應屆股東週年大會。

本公司網站 www.nblife.com/ir 設有「股東服務」一節，提供有關股東之全面資料。

E2. 以按股數投票方式表決

要求以按股數投票方式表決之程序已載於本年度股東週年大會及股東特別大會通告。該等程序亦會於股東週年大會中及股東特別大會闡釋。

本公司股份過戶登記處香港證券登記有限公司之代表已獲委任為股東週年大會及股東特別大會之監票人。

以按股數投票方式表決的結果於舉行會議後之營業日，在香港各主要報章公佈，並於聯交所網站及本公司網站 www.nblife.com/ir 刊登。

Report on Corporate Governance (Continued)

企業管治報告(續)

ADDITIONAL CORPORATE GOVERNANCE AREAS

Institutional shareholder communications

We consider it is important to have dialogues with institutional shareholders based on mutual understanding of objectives. An Executive Director and Group Financial Controller participated in various road shows during the year covering Shanghai, New York, London, Singapore and Hong Kong in order to achieve the above.

Additional shareholders' services can be found in the investor relations section of the Company's website: www.nblife.com/ir.

其他企業管治範疇

機構投資者通訊

本集團認為與機構投資者按照雙方達成共識之目標對話甚為重要。一名執行董事及本集團財務總監於年內曾參與在上海、紐約、倫敦、新加坡及香港舉行的巡迴路演，以達致以上目標。

其他股東服務載於本公司網站：www.nblife.com/ir「股東服務」一頁。

Management Profile

管理層履歷

Executive Director: Dr. Tsai Yen Yu (alias Tsai Yen Pin) (“Dr. Tsai”)

Aged 61, is the founder and the Chairman of the Group. Dr. Tsai founded the Group in 1972 and is responsible for the Group’s overall management, strategic planning and development, and formulation of company policies and business strategy. Dr. Tsai is a renowned professional beauty expert in Taiwan as well as in the PRC and has been engaged in the beauty and skin care industry over 30 years. In these years, Dr. Tsai has been awarded numerous honours, positions and prizes including:

- Female Entrepreneur Award by Ernst & Young “Entrepreneur of the Year”
- Top 20 most influential businesswomen in Taiwan
- Honorary Doctor of Commerce, Dewey University, the United States of America (the “US”)
- Outstanding Entrepreneurs of Taiwan awarded by Taiwan Women’s Business Association
- Chairwoman of Industrial Cooperation Program in Tamkang University, Taiwan
- Chairwoman of Taiwan Beautician Association, Sessions VI
- Vice Chairwoman of Taiwan Golden Trademark Association, Session II
- Principal supervisor of Taiwan Intellectual Property Protection Association
- Principal consultant in National Beauty Parlor Association of the PRC
- Honorary Principal of Chungming High School in the PRC
- “Bai Yu Lan” Award by the Shanghai City Government

Executive Director: Lee Ming Ta (alias Lee Ming Tah)

Aged 61, the husband of Dr. Tsai, is the executive director of the Group and is responsible for the general administration and internal management of the Group. Prior to joining the Group in 1993, Mr. Lee had worked for various financial institutions at senior management level for over 10 years in corporate management and staff training. Mr. Lee graduated in Fengchia University in Taiwan with a bachelor degree in Banking and Insurance.

Executive Director: Dr. Su Chien Cheng

Aged 36, the son of Dr. Tsai, is the executive director of the Group and Vice President of Natural Beauty Cosmetics Company Limited (“NB Taiwan”). He is responsible for the financial management and sales and marketing of the Group. Dr. Su graduated from the University of Westminster with a master degree of business administration and obtained his PhD in the Shanghai University of Finance and Economics of the PRC. He joined the Group in 1999.

執行董事：蔡燕玉博士(又名蔡燕萍)(「蔡博士」)

61歲，本集團創辦人兼主席。蔡博士於一九七二年創辦本集團，負責本集團的整體管理、策略規劃及發展、制定公司政策及業務策略。蔡博士在台灣及中國大陸為享負盛名的專業美容專家，在美容及護膚業內擁有超過30年經驗。這些年來，蔡博士曾獲得多項榮譽、職銜及獎項，包括：

- 安永「年度創業家大獎」頒授的女性創業家獎
- 台灣20個最有影響力的女企業家
- 美利堅合眾國(「美國」)杜威大學商學榮譽博士
- 台灣傑出工商婦女
- 台灣淡江大學建教管理研究班班主任
- 台灣儀容美協會第六屆理事長
- 台灣金商標協進會第二屆副會長
- 台灣智慧財產權保護協會監事長
- 中國大陸工商聯美容工會首席顧問
- 中國大陸崇明中學榮譽校長
- 上海市政府頒授的「白玉蘭獎」殊榮

執行董事：李明達

61歲，蔡博士的丈夫，本集團執行董事，負責本集團的一般行政及內部管理。於一九九三年加入本集團前，李先生曾於多家財務機構任職高級管理職務，於企業管理及員工培訓工作方面擁有超過10年經驗。李先生畢業於台灣逢甲大學，擁有銀行及保險學學士學位。

執行董事：蘇建誠博士

36歲，蔡博士的兒子，本集團執行董事兼為自然美化粧品股份有限公司(「自然美台灣」)之副總裁，負責本集團的財務管理與銷售及市場推廣工作。蘇博士畢業於英國西敏寺大學，擁有工商管理碩士學位，並取得中國大陸上海財經大學哲學博士學位，於一九九九年加入本集團。

Management Profile (Continued)

管理層履歷(續)

Executive Director: Dr. Su Sh Hsyu

Aged 34, the daughter of Dr. Tsai, is the Executive Director of the Group since 21 September 2004. She advises the Group in various aspects including i) strategic planning and development, ii) project management involving in the full process from development to roll-out of products and services, iii) exploring new distribution channels and advising on the enhancement of the existing ones and iv) identifying potential strategic partner and involving in the negotiation of partnership. Dr. Su graduated from the London School of Economics with a master of science degree in industrial relations, personnel management and human resources management and obtained her PhD in International & Comparative Education, Columbia University in New York, US. Dr. Su had been actively engaged in the marketing and business development of the Group in Taiwan and the PRC during the period from 1998 and 2000.

Independent Non-executive Director: Yeh Liang Fei

Aged 76, worked in the police force of Taiwan for more than 40 years. Mr. Yeh held senior positions in several police bureaus in Taiwan. After his retirement from the police force, Mr. Yeh was appointed the honorary President of Ta Feng Securities Co., Ltd. in Taiwan. He is very experienced in administration and human resources management in large organisations. Mr. Yeh graduated from Central Police Officer College of Taiwan. He was appointed as the Company's independent non-executive director in March 2002.

Independent Non-executive Director: Chen Shieh Shu Chen

Aged 53, is a director of Taipei Australia International Investment Pty. Ltd., a company engaged in real estate development in Australia. Mrs. Chen is also a director of Ho Yin Garments Manufacturing Co., Ltd. in Taiwan. She has been a director of Taipei Australia International Investment Pty. Ltd. for over 10 years and is experienced in property investment, general management and global trading. Mrs. Chen graduated from Soochow University of Taiwan with a bachelor degree of Arts in History. She was appointed as the Company's independent non-executive director in March 2002.

Independent Non-executive Director: Chen Ching

Aged 45, is the Independent Non-Executive Director of the Group. He is also the Managing Partner of Dinkum & Co, CPAs in Taiwan and has over 15 years of experience in accounting. He was a part-time lecturer of the Accounting Information Department in Takming College from 2000 to 2001 and Accounting Department in Chung Kuo Institute of Technology from 2001 to 2002, respectively, both of which are tertiary academic institutions in Taiwan. Mr. Chen is an Independent Director of Yufo Electronics Corporation, a company listed on the GreTai Securities Market (Over-The-Counter Market) in Taiwan. Mr. Chen graduated from the National Cheng-Chi University with a master of science degree in accounting and is a member of Certified Public Accountants Association of Taiwan.

執行董事：蘇詩琇博士

34歲，蔡博士的女兒，於二零零四年九月二十一日獲委任為本集團執行董事。彼於多個範疇為本集團提供意見，包括i)策略規劃及發展；ii)涉及由發展以至推出產品及服務整個程序之項目管理；iii)開拓新分銷渠道及就提升現有渠道提供意見及iv)物色潛在策略夥伴及參與商談合作關係。蘇博士畢業於英國倫敦政治經濟學院，擁有工業與人事管理及人力資源的關係管理碩士學位，並獲美國紐約哥倫比亞大學頒授國際及比較教育博士學位。蘇博士於一九九八年至二零零零年期間已積極參與本集團在台灣及中國大陸的市場推廣及業務發展。

獨立非執行董事：葉良輝

76歲，曾服務台灣警隊逾40年。葉先生曾於台灣擔任多個警察局高級職位，並於警隊榮休後，獲委任為台灣大豐證券的榮譽董事，於大型機構行政及人力資源管理工作方面積逾豐富經驗。葉先生畢業於台灣中央警官學校，於二零零二年三月獲委任為本公司獨立非執行董事。

獨立非執行董事：陳謝淑珍

53歲，為從事澳洲房地產發展的公司台澳國際投資有限公司的董事，亦是台灣合胤製衣廠有限公司董事，並在台澳國際投資有限公司擔任董事職務超過10年，在物業投資、一般管理及全球貿易工作方面經驗豐富。陳太畢業於台灣東吳大學，擁有文學士學位，主修歷史。陳太於二零零二年三月獲委任為本公司獨立非執行董事。

獨立非執行董事：譚清

45歲，本集團獨立非執行董事，亦為台灣鼎信聯合會計師事務所主管合夥人，從事會計工作逾15年。彼曾於二零零零年至二零零一年期間擔任德明技術學院的會計資訊科兼任講師，亦於二零零一年至二零零二年期間擔任中國工商技術學院會計科兼任講師，上述兩家學院均為台灣之專上學院。譚先生亦為育富電子股份有限公司(為在台灣證券櫃檯買賣中心上櫃之公司)之獨立董事。譚先生畢業於國立政治大學並取得會計碩士學位。彼為台灣會計師公會會員。

Management Profile (Continued)

管理層履歷(續)

Senior Management: Yeung Wong Sau Ping

Aged 59, Chief Operating Officer in China and is responsible for the operations of China. Mrs. Yeung graduated with a Bachelor of Sociology from Chinese University of Hong Kong in 1972. Prior to joining the Group in January 2007, Mrs. Yeung has accumulated over 27 years of management and operational experience in sales and marketing in the globally renowned multi-level direct-selling firm, Amway. She has spearheaded the development of the sales department in Hong Kong and China of that firm and was later promoted to General Manager, Sales of Amway (China) Company Ltd.

Senior Management: Wang Kuang Jui

Aged 41, Supply Chain Director of NB Shanghai and is responsible for the supply chain management in the PRC, including ERP, logistics and IT department. Mr. Wang was graduated in the Chinese Culture University in Taiwan with a Bachelor of Mass Communication. He was the head of IT and also held senior position in Amigo Logistics Corporation in Taiwan. Mr. Wang has been working in China since year 2000. Prior to joining our Group in 2006, Mr. Wang held senior positions in Dragon Logistics Co., Ltd and Trust-Mart Hypermarket.

Senior Management: Chen Hwa Lien

Aged 59, is the Head of Administration for NB Shanghai and is responsible for the administration, logistics and human resources of the Group's PRC operation. Prior to joining the Group in 1993, Ms. Chen had over 10 years of regional administrative experience in Taiwan. She is one of the key employees for the Group's expansion in the PRC.

Senior Management: Yan Yi Ling

Aged 47, is the Head of accounting and finance for NB Shanghai and is responsible for the financial management and accounting function of the Group's PRC operation. Ms. Yan holds a master degree in Statistics from West Virginia University in the US. Prior to joining the Group in 2000, Ms. Yan worked in various commercial bank holding management position and has over 10 years of working experience in internal control and business administration.

Senior Management: Shiao Wen Chung

Aged 49, Chief Operating Officer in Taiwan and other markets, is responsible for consolidating and expanding the operations in Taiwan and other markets. Mr. Shiao graduate from Department of Journalism of Taiwan Culture University in 1981. Prior to joining the Group in October 2006, Mr. Shiao has over 23 years of operational management experience in the consumer goods industry. He was the National Sales Director of Energizer Schick Taiwan Limited, leading the sales team of the company operating globally in the broad categories of household and personal care products. He also worked for Warner-Lambert in Taiwan as the National Sales Directors and Unilever Taiwan as Channel Sales Manager.

高級管理層：楊王秀萍

59歲，中國區營運總裁，負責中國業務。楊女士於一九七二年畢業於香港中文大學，獲頒社會學學士學位。於二零零七年一月加入本集團前，楊女士曾任職國際知名的多層直銷公司安利(Amway)，於銷售及市場推廣方面積逾二十七年管理及營運經驗，並帶領該公司香港及中國的銷售部門，其後更獲擢升為安利(中國)日用品有限公司業務總經理。

高級管理層：王光瑞

41歲，自然美上海供應鏈總監，負責本集團中國業務之供應鏈管理，包括工廠產銷計劃、物流及資訊部門等工作。王先生於台灣文化大學畢業，取得大眾傳播學學士學位，台灣地區工作期間曾任東源物流高階主管及資訊長等職務。於二零零零年前往中國工作，於二零零六年加入本集團前，曾於中國龍邦物流及好又多量販集團擔任高階主管。

高級管理層：陳華蓮

59歲，自然美上海副總經理，負責本集團中國大陸業務之行政管理、後勤及人力資源工作。於一九九三年加入本集團前，陳女士在台灣擁有逾10年地區行政管理經驗，為本集團開拓中國大陸市場的要員之一。

高級管理層：顏逸翎

47歲，自然美上海會計及財務主管，負責本集團在中國大陸業務的財務管理及會計工作。顏女士擁有美國西維珍尼亞大學統計學系碩士學位。於二零零零年加入本集團前，顏女士曾於多家商業銀行擔任管理職位，並在內部管理及業務行政方面積逾10年工作經驗。

高級管理層：蕭文聰

49歲，台灣及其他地區營運總裁，專責鞏固及擴充台灣及其他市場之業務。蕭先生於一九八一年畢業於台灣文化大學新聞系。於二零零六年十月加入本集團前，蕭先生於消費品行業積逾二十三年營運管理經驗。他曾擔任勁量舒適股份有限公司台灣分公司的全國銷售總監，帶領該公司銷售團隊於全球經營各式各樣家居及個人護理產品。蕭先生亦曾擔任台灣華納藍茂公司的全國業務處長及聯合利華(股)台灣分公司的通路經理。

Management Profile (Continued)

管理層履歷(續)

Senior Management: Fong Chiu Hsia

Aged 53, is the head of accounting and finance for NB Taiwan and is responsible for the financial management and accounting function of the Group's Taiwan Business. Prior to joining the Group in 1980, Ms. Fong worked in an international accounting firm and has served management positions in a number of corporations in the region and has over 30 years of experience in accounting, finance and auditing.

Senior Management: Yang Chiao Ling

Aged 35, is the Sales & Marketing Director of NB Taiwan and is responsible for the sales and marketing of our franchise operation, self-own spas, as well as the branding in Taiwan. Ms. Yang was graduated from Shih-Chien University in Taiwan and also studied in Fashion Institute of Technology in New York. Prior to joining the Group in 2003, Ms. Yang had been working in various organizations, such as Otto, Citibank etc., in the field of merchandising and marketing. She is also the wife of Dr. Su Chien Cheng.

Senior Management: Lu Wen Sheng

Aged 41, Brand Director of NB Taiwan and is responsible for the branding and marketing execution in Taiwan. Mr. Lu was graduated with a MBA major in international management in Thunderbird, American Graduate School of International Management of USA in 1998. Prior to joining the Group in March 2007, Mr. Lu has extensive product and branding experiences of fast moving consumer products including Product Manager of Warner Lambert and Senior Product Manager of L'OREAL Taiwan.

Senior Management: Wang Fang

Aged 42, National Sales Director of Natural Beauty in China and is responsible for the sales operation and franchisee recruitment in China. Ms. Wang was graduated in the Wuhu Institute of Technology with a diploma of Business Administration and currently studying an Executive MBA program in School of Business Nanjing University. Ms. Wang has over 21 years of working experience. Prior to joining our Group in 2007, Ms. Wang was the District Sales Director of Avon China.

Senior Management: Chan Yan Kwan, Andy

Aged 39, is the Financial Controller and Company Secretary of the Group. Mr. Chan is responsible for the financial planning and monitoring. He graduated from the University of Hull in the UK with a bachelor's degree in economics (economics and accounting) in 1992 and graduated from Richard Ivey School of Business with University of Western Ontario, Canada with an Executive MBA in 2008. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in July 2004, Mr. Chan worked in an international accounting firm and had served senior financial positions in a NASDAQ listed company and a renowned German exhibition company.

高級管理層：封秋霞

53歲，台灣自然美會計及財務主管，負責本集團台灣業務之財務管理及會計工作。封女士於一九八零年加入本集團前，曾於一家國際會計師事務所工作，並先後於區內數家企業擔任管理職位。彼於會計、財務及審計方面積逾30年經驗。

高級管理層：楊巧玲

35歲，為自然美台灣的銷售及市場推廣總監，負責加盟店及自資經營水療中心的銷售及市場推廣，以及於台灣的品牌形象。楊女士畢業於台灣實踐大學，亦曾於紐約FIT服裝學院修讀。於二零零三年加入本集團前，楊女士曾於Otto、花旗銀行等多家機構任職銷售規劃及市場推廣範疇。彼為蘇建誠博士之妻子。

高級管理層：盧文生

41歲，自然美台灣之品牌總監，於台灣負責品牌及市場推廣執行工作。於一九九八年，盧先生獲美國國際管理學院頒授商業企管碩士學位，主修國際管理。於二零零七年三月加入本集團前，盧先生於瞬息萬變之消費產品業擁有廣泛產品及品牌經驗，彼曾擔任台灣華納華藍茂公司的產品經理及台灣L'OREAL之高級產品經理。

高級管理層：王芳

42歲，自然美全國銷售總監，負責中國業務之銷售營運及全國加盟部。王女士於蕪湖職業技術學院畢業，取得企業管理專科，現正就讀南京大學商學院之行政人員工商管理碩士課程。王女士擁有逾21年工作經驗，於二零零七年加入本集團前，曾任雅芳中國有限公司區域銷售總監。

高級管理層：陳仁君

39歲，本集團財務總監兼公司秘書，負責財務規劃及監督。彼於一九九二年畢業於英國University of Hull，持有經濟(經濟及會計學)學士學位，以及於二零零八年畢業於加拿大西安大略大學Richard Ivey商學院(Richard Ivey School of Business)，擁有行政人員工商管理碩士學位。彼為香港會計師公會會員及英國特許公認會計師公會資深會員。於二零零四年七月加入本集團前，陳先生曾任職一家國際會計師行，亦曾於一家納斯達克上市公司及一家著名德國展覽公司擔任高級財務職位。

Directors' Report

董事會報告書

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

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 activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 59.

An interim dividend of HK\$0.030 per share and an interim special dividend of HK\$0.020 per share were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.0420 per share and a final special dividend of HK\$0.0580 per share to the shareholders on the register of members on 6 June 2008, amounting to approximately HK\$84,000,000 and HK\$116,000,000, respectively. Details of the dividends are set out in note 12 to the consolidated 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 turnover and purchases for the year respectively.

INVESTMENT PROPERTIES

The Group's investment properties at 31 December 2007 were fair valued by an independent firm of professional property valuers. The fair value increase of approximately HK\$50,000 has been recognised in the consolidated income statement. Details of movements during the year in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

本公司董事提呈彼等截至二零零七年十二月三十一日止年度的年報及經審核綜合財務報表。

主要業務

本公司為投資控股公司，本集團主要業務為(a)護膚、美容及香薰產品製造及銷售及(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。本集團主要附屬公司的業務載於綜合財務報表附註40。

業績及分派

本集團截至二零零七年十二月三十一日止年度的業績載於第59頁的綜合收益表。

於年內，本公司向股東派發每股0.030港元之中期股利及每股0.020港元之中期特別股利。董事現建議向於二零零八年六月八日名列股東名冊之股東派發末期股利每股0.0420港元及末期特別股利每股0.0580港元，分別合共約84,000,000港元及116,000,000港元。有關股利詳情載於綜合財務報表附註12。

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

本集團投資物業於二零零七年十二月三十一日由獨立專業物業估值師行按公平值基準進行估值。按公平值，增加約50,000港元已於綜合收益表確認。有關本集團投資物業於年內的變動詳情載於綜合財務報表附註14。

不動產、廠場及設備

本集團於年內的不動產、廠場及設備變動詳情載於綜合財務報表附註15。

Directors' Report (Continued)

董事會報告書(續)

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

Mr. Yeh Liang Fei
Mrs. Chen Shieh Shu Chen
Mr. Chen Ching

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

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive directors independent.

All the independent non-executive directors are members of the Company's Audit Committee and Remuneration Committee.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2007, in the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders were approximately HK\$463,781,000 which represents the share premium and retained profits of the Company.

股本

本公司股本詳情載於綜合財務報表附註29。

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
蘇建誠博士
蘇詩琇博士

獨立非執行董事：

葉良輝先生
陳謝淑珍女士
譚清先生

根據本公司之公司組織章程細則第117條，蔡燕玉博士、李明達先生及蘇建誠博士將輪值告退，且符合資格並願意於即將舉行之股東週年大會應選連任。

本公司已自各獨立非執行董事接獲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」)第3.13條發出之年度獨立身分確認書。本公司認為，全體獨立非執行董事均為獨立人士。

全體獨立非執行董事均為本公司審核委員會及薪酬委員會成員。

本公司可供分派儲備

於二零零七年十二月三十一日，本公司董事認為，本公司可供分派予股東之儲備約為463,781,000港元，該等儲備乃本公司之股份溢價及保留溢利。

Directors' Report (Continued)

董事會報告書(續)

DIRECTORS' SERVICE CONTRACTS

The directors' service contracts entered into between the Company and all executive directors were for a term of three years, commencing from 11 March 2005, in the case of Dr. Tsai, Yen Yu ("Dr. Tsai"), Mr. Lee Ming Ta ("Mr. Lee") and Dr. Su Chien Cheng ("Dr. Su Chien Cheng") and from 21 September 2007 in the case of Dr. Su Sh Hsyu ("Dr. Su Sh Hsyu"). The service contracts of the independent non-executive directors were also for a term of three years, commencing from 11 March 2005 in the case of Mr. Yeh Liang Fei ("Mr. Yeh") and Mrs. Chen Shieh Shu Chen ("Mrs. Chen") and from 21 September 2007 in the case of Mr. Chen Ching ("Mr. Chen"). These services contracts may be terminated by either party giving to the other not less than three calendar months' notice in writing. The directors' service contracts of Dr. Tsai, Mr. Lee, Dr. Su Chien Cheng, Mr. Yeh and Mrs. Chen have been renewed with the same terms of their original contracts for another three years commencing from 11 March 2008. 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 Dr. Su Sh Hsyu, HK\$600,000 to Dr. Su Chien Cheng, HK\$20,000 to Mr. Yeh, HK\$20,000 to Mrs. Chen and HK\$48,000 to Mr. Chen) 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 2007, each of the executive directors voluntarily agreed to waive the entitlement to certain remuneration of approximately HK\$2.9 million.

Each of Dr. Tsai, Mr. Lee, Dr. Su Chien Cheng and Dr. Su Sh Hsyu is also entitled to a management bonus. The aggregate amount of the bonuses payable to these executive directors will not exceed 15% of the audited consolidated profit attributable to equity holders of the Company in respect of that financial year of the Group. For the year ended 31 December 2007, the Board of Directors 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 payment of compensation, other than normal statutory obligations.

董事服務合約

本公司與全體執行董事訂立之董事服務合約均為期三年，蔡燕玉博士(「蔡博士」)、李明達先生(「李先生」)及蘇建誠博士(「蘇建誠博士」)之合約年期由二零零五年三月十一日開始；蘇詩琇博士(「蘇詩琇博士」)之合約年期由二零零七年九月二十一日開始。各獨立非執行董事亦訂立為期三年之服務合約，葉良輝先生(「葉先生」)及陳謝淑珍女士(「陳女士」)之合約年期由二零零五年三月十一日開始；譚清先生(「譚先生」)之合約年期則由二零零七年九月二十一日開始。該等服務合約可由任何一方向對方發出不少於三個曆月的書面通告終止。蔡博士、李先生、蘇建誠博士、葉先生及陳女士之董事服務合約已按彼等原來合約之相同條款續約，由二零零八年三月十一日起，為期三年。根據該等服務合約的初步年度酬金總額為2,988,000港元(蔡博士獲1,000,000港元、李先生獲700,000港元、蘇詩琇博士獲600,000港元、蘇建誠博士獲600,000港元、葉先生獲20,000港元、陳女士獲20,000港元及譚先生獲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10%。

截至二零零七年十二月三十一日止年度，各執行董事自願同意放棄若干酬金約2,900,000港元。

蔡博士、李先生、蘇建誠博士及蘇詩琇博士亦可享有管理花紅。應付該等執行董事的花紅總額不得超過本集團有關財政年度的本公司股東應佔經審核綜合溢利之15%。截至二零零七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 (Continued)

董事會報告書(續)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, the interests of the directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Ordinary shares

Name of directors 董事姓名	Number of ordinary shares 普通股數目		% of the issued share capital of the Company 佔本公司已發行 股本百分比
	Family interests 家族權益	Corporate interests 公司權益	
Dr. Tsai 蔡博士	–	838,530,000 (Note 1) (附註1)	41.93%
Dr. Su Chien Cheng 蘇建誠博士	–	233,500,000 (Note 2) (附註2)	11.68%
Dr. Su Sh Hysu 蘇詩琇博士	–	233,500,000 (Note 3) (附註3)	11.68%
Mr. Lee 李先生	838,530,000 (Note 1) (附註1)	–	41.93%

董事於股份的權益

於二零零七年十二月三十一日，董事、主要行政人員及彼等之聯繫人士於本公司及其相聯法團的股份、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(「證券及期貨條例」)第352條存置的登記冊，或根據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」)已知會本公司及聯交所的權益如下：

於本公司股份及相關股份的好倉

普通股

Directors' Report (Continued)

董事會報告書(續)

DIRECTORS' INTERESTS IN SHARES (Continued)

Notes:

- (1) The two references to 838,530,000 shares relate to the same block of shares. Such block of shares are held by Efficient Market Investments Limited ("Efficient Market") which is beneficially wholly-owned by Dr. Tsai through Knightcote Enterprises Limited ("Knightcote").

Mr. Lee, the spouse of Dr. Tsai, is deemed to be interested in 838,530,000 ordinary shares of the Company.

- (2) The reference to 233,500,000 shares is held by Aventa Group Limited ("Aventa") which is beneficially wholly-owned by Dr. Su Chien Cheng through Beautivalue Holdings Limited ("Beautivalue"). Dr. Su Chien Cheng is the son of Dr. Tsai.
- (3) The reference to 233,500,000 shares is held by Fortune Bright Group Limited ("Fortune Bright") which is beneficially wholly-owned by Dr. Su Sh Hysu through Colour Shine Holdings Limited ("Colour Shine"). Dr. Su Sh Hysu is the daughter of Dr. Tsai.

Other than as disclosed above, none of the directors, the chief executive nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

SHARE OPTION

The Company

Particulars of the Company's stock option scheme are set out in note 30 to the consolidated financial statements.

On 27 July 2007, the Group granted options to certain employees to subscribe for a maximum of 1,729,542 shares and the stock options will be vested at a ratio of 50%, 30% and 20% over a three-year period subject to the grantees achieving certain performance targets.

董事於股份的權益(續)

附註：

- (1) 以上兩次提述的838,530,000股股份指同一批股份。該等股份由Efficient Market Investments Limited(「Efficient Market」)持有，而Efficient Market則由蔡博士透過Knightcote Enterprises Limited(「Knightcote」)全資實益擁有。

蔡博士之配偶李先生被視作擁有本公司838,530,000股普通股之權益。

- (2) 以上提述的233,500,000股股份由Aventa Group Limited(「Aventa」)持有，而Aventa則由蘇建誠博士透過Beautivalue Holdings Limited(「Beautivalue」)全資實益擁有。蘇建誠博士為蔡博士之兒子。
- (3) 以上提述的233,500,000股股份由Fortune Bright Group Limited(「Fortune Bright」)持有，而Fortune Bright則由蘇詩琇博士透過Colour Shine Holdings Limited(「Colour Shine」)全資實益擁有。蘇詩琇博士為蔡博士之女兒。

除上文披露者外，於二零零七年十二月三十一日，概無董事、主要行政人員或彼等之聯繫人士於本公司或其任何相聯法團的任何股份、相關股份或債券中擁有任何權益或淡倉。

認股權

本公司

本公司認股權計劃之詳情載於綜合財務報表附註30。

於二零零七年七月二十七日，本集團向若干僱員授予認股權，以認購最多1,729,542股股份。該等認股權將在承授人達到若干表現指標之情況下分三年先後按50%、30%及20%之比率歸屬。

Directors' Report (Continued)

董事會報告書(續)

SHARE OPTION (Continued)

The Company (Continued)

The following table discloses movements in the Company's share option during the year:

Category 1: Employees

Option type	Date of grant	Exercisable period	Exercise price	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expire during year	Outstanding at end of year
認股權類別	授出日期	行使期	行使價	於年初尚未行使	於年內授出	於年內行使	於年內沒收	於年內屆滿	於年終尚未行使
Employees 僱員	2007 Type I 二零零七年第一類	27 July 2007 二零零七年七月二十七日							
		1 July 2008 to 26 July 2017 二零零八年七月一日至 二零一七年七月二十六日	1.76	-	864,771	-	(225,341)	-	639,430
	2007 Type II 二零零七年第二類	27 July 2007 二零零七年七月二十七日							
		1 July 2009 to 26 July 2017 二零零九年七月一日至 二零一七年七月二十六日	1.76	-	518,863	-	(135,204)	-	383,659
	2007 Type III 二零零七年第三類	27 July 2007 二零零七年七月二十七日							
		1 July 2010 to 26 July 2017 二零一零年七月一日至 二零一七年七月二十六日	1.76	-	345,908	-	(90,136)	-	255,772
				-	1,729,542	-	(450,681)	-	1,278,861

The closing price of the Company's share immediately before 27 July 2007, the date of grant of the 2007 options, was HK\$1.76.

There was no options granted to substantial shareholders, executive directors or independent non-executive directors during the year.

ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

At no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

認股權(續)

本公司(續)

下表披露本公司認股權於年內之變動：

組別1：僱員

本公司股份於緊接二零零七年認股權授出日期二零零七年七月二十七日之前之收市價為1.76港元。

年內並無向主要股東、執行董事或獨立非執行董事授出任何認股權。

購買股份或債券之安排

於年內任何時間，本公司、其控股公司或其任何附屬公司或同系附屬公司並無參與訂立任何安排，致令本公司董事可藉收購本公司或任何其他法人團體的股份或債券而獲利。

Directors' Report (Continued)

董事會報告書(續)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests in the issued capital of the Company.

Long position in shares and underlying shares of the Company

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder 股東姓名/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	1	Beneficial owner 實益擁有人	838,530,000	41.93%
Knightcote	1 & 2	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	838,530,000	41.93%
Aventa	3	Beneficial owner 實益擁有人	233,500,000	11.68%
Beautivalue	3 & 4	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	233,500,000	11.68%
Fortune Bright	5	Beneficial owner 實益擁有人	233,500,000	11.68%
Colour Shine	5 & 6	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	233,500,000	11.68%
Dr. Tsai 蔡博士	2	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	838,530,000	41.93%
Dr. Su Chien Cheng 蘇建誠博士	4	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	233,500,000	11.68%
Dr. Su Sh Hysu 蘇詩琇博士	6	Beneficial owner and held by a controlled corporation 實益擁有人及由受控制法團持有	233,500,000	11.68%
Martin Currie (Holdings) Limited 馬丁可利(控股)有限公司		Investment Manager 投資經理	180,017,000	9.00%
Keywise Capital Management (HK) Limited 凱思博投資管理(香港)有限公司		Investment Manager 投資經理	161,540,000	8.08%

主要股東

於二零零七年十二月三十一日，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。

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

Directors' Report (Continued)

董事會報告書(續)

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Efficient Market is beneficially wholly-owned by Knightcote.
2. The controlled corporation, Knightcote, is beneficially wholly-owned by Dr. Tsai. These shares are attributable to Dr. Tsai in respect of her 100% interest in Knightcote.
3. Aventa is beneficially wholly-owned by Beautivalue.
4. The controlled corporation, Beautivalue, is beneficially wholly-owned by Dr. Su Chien Cheng. These shares are attributable to Dr. Su Chien Cheng in respect of his 100% interest in Beautivalue.
5. Fortune Bright is beneficially wholly-owned by Colour Shine.
6. The controlled corporation, Colour Shine, is beneficially wholly-owned by Dr. Su Sh Hysu. These shares are attributable to Dr. Su Sh Hysu in respect of her 100% interest in Colour Shine.

Save as 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 2007.

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The Group had the following significant transactions with connected persons:

- (i) During the year, Shanghai Natural Beauty Sanlian Cosmetics Company Limited ("NB Sanlian"), a wholly owned subsidiary, purchased natural health food of approximately HK\$4,992,000 from Shanghai Natural Beauty Bio-Med Company Limited 上海自然美生物醫學有限公司 ("Bio-Med"), a company beneficially-owned by Dr. Tsai pursuant to a natural health food purchase agreement dated 28 July 2005.
- (ii) During the year, NB Sanlian purchased lingerie of approximately HK\$125,000 from Shanghai Natural Beauty Apparel-Manufacture Company Limited 上海自然美製衣有限公司 ("Apparel-Manufacture"), a company owned as to 51.72% by Dr. Tsai pursuant to a lingerie purchase agreement dated 28 July 2005.
- (iii) On 16 January 2008, NB Sanlian and Bio-Med entered into the Renewed Natural Health Food Purchase Agreement, for the period from 1 January 2008 to 31 December 2008, with the annual cap amount of HK\$9.0 million. The transaction under the Renewed Natural Health Food Purchase Agreement is regarded as connected transactions pursuant to Chapter 14A of the Listing Rules of the Stock Exchange. Details of which were set out in the announcement of the Company dated 16 January 2008.

主要股東(續)

附註：

1. Efficient Market由Knightcote全資實益擁有。
2. 受控制法團Knightcote由蔡博士全資實益擁有。由於蔡博士擁有Knightcote 100%權益，故該等股份屬彼所擁有。
3. Aventa由Beautivalue全資實益擁有。
4. 受控制法團Beautivalue由蘇建誠博士全資實益擁有。由於蘇建誠博士擁有Beautivalue 100%權益，故該等股份屬彼所擁有。
5. Fortune Bright由Colour Shine全資實益擁有。
6. 受控制法團Colour Shine由蘇詩琇博士全資實益擁有。由於蘇詩琇博士擁有Colour Shine 100%權益，故該等股份屬彼所擁有。

除上文披露的權益外，於二零零七年十二月三十一日，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。

關連交易及董事於重大合約之權益

本集團與關連人士曾進行以下重大交易：

- (i) 年內，本公司全資附屬公司上海自然美三聯化粧品有限公司(「自然美三聯」)根據日期為二零零五年七月二十八日之天然健康食品採購協議，向蔡博士實益擁有之上海自然美生物醫學有限公司(「自然美生物醫學」)採購天然健康食品約4,992,000港元。
- (ii) 年內，自然美三聯根據日期為二零零五年七月二十八日之內衣採購協議，向蔡博士擁有51.72%權益之上海自然美製衣有限公司(「自然美製衣」)採購內衣約125,000港元。
- (iii) 於二零零八年一月十六日，自然美三聯與自然美生物醫學訂立更新天然健康食品採購協議，年期由二零零八年一月一日至二零零八年十二月三十一日止，年度上限為9,000,000港元。根據聯交所上市規則第14A章，更新天然健康食品採購協議項下之交易被視作關連交易。詳情載於本公司日期為二零零八年一月十六日之公佈。

Directors' Report (Continued)

董事會報告書(續)

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE (Continued)

The above transactions are regarded as connected transactions pursuant to Chapter 14A of the Listing Rules. Particulars of the transactions are disclosed in note 36 to the consolidated financial statements.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available from independent third parties and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above:

- (i) no contracts of significance subsisted to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

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, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

關連交易及董事於重大合約之權益(續)

根據上市規則第14A章，上述交易被視作關連交易。交易詳情於綜合財務報表附註36披露。

獨立非執行董事確認，該等交易乃於本集團日常業務中訂立，其條款不遜於自獨立第三方獲取者，且根據規管該等交易、屬公平合理且符合本公司股東整體利益之協議條款進行。

除上文披露者外：

- (i) 在年結日或本年度任何時間，本公司或其任何附屬公司概無訂立本公司董事直接或間接於當中擁有重大權益的任何重大合約；及
- (ii) 並無任何其他按照上市規則規定被視作關連交易而須予披露的交易。

酬金政策

本集團僱員的酬金政策由董事會按彼等之貢獻、資歷及能力而設立。

本公司執行董事酬金由薪酬委員會建議，並由股東於股東週年大會授權董事會，因應本公司經營業績、個別表現及可資比較市場數據決定。

本公司已採納一項認股權計劃，以獎勵董事及合資格僱員。該計劃之詳情載於綜合財務報表附註30。

優先購買權

本公司之公司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。

充足公眾持股量

本公司於截至二零零七年十二月三十一日止整個年度內一直維持充足公眾持股量。

Directors' Report (Continued)

董事會報告書(續)

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITOR

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

On behalf of the Board

Dr. Tsai Yen Yu

Chairman

Hong Kong

10 April 2008

購買、出售或贖回本公司上市證券

年內，本公司或其任何附屬公司並無購買、出售或贖回本公司任何上市證券。

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。

承代表董事會

主席

蔡燕玉博士

香港

二零零八年四月十日

Independent Auditor's Report

獨立核數師報告書

Deloitte.
德勤

TO THE SHAREHOLDERS OF NATURAL BEAUTY BIO-TECHNOLOGY LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Natural Beauty Bio-Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 59 to 138, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

致自然美生物科技有限公司 全體股東

(於開曼群島註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審核列載於第59至138頁自然美生物科技有限公司(以下簡稱「貴公司」)及其附屬公司(以下合稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零零七年十二月三十一日的綜合資產負債表與截至該日止年度的綜合收益表、綜合權益變動表及綜合現金流量表，以及主要會計政策概要及其他附註解釋。

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港《公司條例》編制及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編制及真實而公平地列報綜合財務報表相關的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況作出合理的會計估計。

核數師的責任

我們的責任是根據我們的審核對該等綜合財務報表作出意見。我們的報告僅按照香港《公司條例》第141條，為股東(作為一個團體)而編制，並不為其他任何目的。我們並不就本報告之內容對任何其他人士承擔任何義務或接受任何責任。我們已根據香港會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定綜合財務報表是否不存有任何重大錯誤陳述。

Independent Auditor's Report (Continued)

獨立核數師報告書(續)

AUDITOR'S RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 April 2008

核數師的責任(續)

審核涉及執行情序以獲取有關綜合財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編制及真實而公平地列報綜合財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映 貴集團於二零零七年十二月三十一日的事務狀況及 貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》妥為編制。

德勤•關黃陳方會計師行
執業會計師
香港
二零零八年四月十日

Consolidated Income Statement

綜合收益表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Turnover	營業額	5	450,147	363,746
Cost of sales	銷售成本		(77,573)	(68,725)
Gross profit	毛利		372,574	295,021
Other income	其他收益	7	32,461	47,323
Distribution and selling costs	分銷及銷售成本		(117,937)	(101,383)
Administrative expenses	行政開支		(74,536)	(59,450)
Other expenses	其他支出		(4,247)	(6,881)
Share of loss of an associate	應佔一家聯營公司虧損		(373)	(172)
Share of profit (loss) of a jointly controlled entity	應佔一家共同控制實體溢利(虧損)		87	(5)
Profit before taxation	除稅前溢利	8	208,029	174,453
Income tax expense	所得稅開支	11	(29,248)	(51,641)
Profit for the year	本年度溢利		178,781	122,812
Attributable to:	應佔：			
Equity holders of the Company	本公司股東盈利		178,707	123,198
Minority interests	少數股東權益		74	(386)
			178,781	122,812
Dividends	股利	12	185,000	80,000
Earnings per share	每股盈利	13		
Basic	基本		8.9港仙	6.2港仙

Consolidated Balance Sheet

綜合資產負債表

At 31 December 2007 於二零零七年十二月三十一日

		Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Non-current assets	非流動資產			
Investment properties	投資物業	14	4,544	162,228
Property, plant and equipment	不動產、廠場及設備	15	218,025	173,479
Prepaid lease payments	自用土地租賃款	16	9,516	9,119
Intangible assets	無形資產	17	–	–
Goodwill	商譽	18	24,562	23,207
Interest in an associate	於一家聯營公司之權益	19	–	373
Interest in a jointly controlled entity	於一家共同控制實體之權益	20	–	353
Available-for-sale investments	可供出售投資	21	9,126	6,786
Deferred taxation assets	遞延稅項資產	31	7,550	9,437
			273,323	384,982
Current assets	流動資產			
Inventories	存貨	22	71,017	63,573
Trade and other receivables	貿易及其他應收賬款	23	98,971	164,905
Prepaid lease payments	自用土地租賃款	16	262	244
Held-for-trading investments	持作買賣投資	24	–	27,713
Bank balances and cash	銀行結存及現金	25	588,741	356,243
			758,991	612,678
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付賬款	26	90,308	70,198
Deferred income	遞延收益	27	9,763	9,336
Taxation payable	應付稅項		4,693	27,638
			104,764	107,172
Net current assets	流動資產淨值		654,227	505,506
Total assets less current liabilities	總資產減流動負債		927,550	890,488
Non-current liability	非流動負債			
Retirement benefit obligations	退休福利責任	28	11,899	11,317
			915,651	879,171

Consolidated Balance Sheet (Continued)

綜合資產負債表(續)

		Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Capital and reserves	股本及儲備			
Share capital	股本	29	200,000	200,000
Reserves	儲備		709,626	678,739
Equity attributable to equity holders of the Company	本公司股東應佔權益		909,626	878,739
Minority interests	少數股東權益		6,025	432
Total equity	總權益		915,651	879,171

The consolidated financial statements on pages 59 to 138 were approved and authorised for issue by the Board of Directors on 10 April 2008 and are signed on its behalf by:

第59至138頁的綜合財務報表於二零零八年四月十日獲董事會批准並授權刊發，並由以下董事代表簽署：

Dr. Tsai Yen Yu
蔡燕玉博士
Director
董事

Dr. Lee Ming Ta
李明達先生
Director
董事

Consolidated Statement Of Changes In Equity

綜合權益變動表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股東應佔									
		Share capital	Capital surplus	Share premium	Statutory reserve	Exchange reserve	Share option reserve	Retained profits	Total	Minority interests	Total
		股本	股本盈餘	股份溢價	法定儲備	匯兌儲備	認股權儲備	保留溢利	總計	少數股東權益	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
At 1 January 2006	於二零零六年一月一日	200,000	42,554	336,758	94,975	4,094	-	135,130	813,511	6,786	820,297
Exchange differences arising from translation of overseas operation and expense recognised directly in equity	折算海外業務匯率差額及直接於權益確認之開支	-	-	-	-	22,030	-	-	22,030	100	22,130
Profit for the year	本年度溢利	-	-	-	-	-	-	123,198	123,198	(386)	122,812
Total recognised income and expense for the year	就本年度確認之收入及開支總額	-	-	-	-	22,030	-	123,198	145,228	(286)	144,942
Transfer to statutory reserve	轉撥至法定儲備	-	-	-	11,828	-	-	(11,828)	-	-	-
Acquisition of additional interest in a subsidiary	收購一家附屬公司額外權益	-	-	-	-	-	-	-	-	(5,742)	(5,742)
Dividends paid (note 12)	已派股利 (附註12)	-	-	-	-	-	-	(80,000)	(80,000)	-	(80,000)
Dividends paid to minority shareholders	派發予少數股東之股利	-	-	-	-	-	-	-	-	(326)	(326)
At 31 December 2006	於二零零六年十二月三十一日	200,000	42,554	336,758	106,803	26,124	-	166,500	878,739	432	879,171
Exchange differences arising from translation of overseas operation recognised directly in equity	折算海外業務匯率差額及直接於權益確認之開支	-	-	-	-	37,079	-	-	37,079	(27)	37,052
Profit for the year	本年度溢利	-	-	-	-	-	-	178,707	178,707	74	178,781
Total recognised income and expense for the year	就本年度確認之收入及開支總額	-	-	-	-	37,079	-	178,707	215,786	47	215,833
Transfer to statutory reserve	轉撥至法定儲備	-	-	-	43,919	-	-	(43,919)	-	-	-
Contribution from minority shareholders	少數股東注資	-	-	-	-	-	-	-	-	5,115	5,115
Acquisition of a subsidiary (note 32)	收購一家附屬公司 (附註32)	-	-	-	-	-	-	-	-	431	431
Dividends paid (note 12)	已派股利 (附註12)	-	-	-	-	-	-	(185,000)	(185,000)	-	(185,000)
Recognition of share-based payments	確認股份付款	-	-	-	-	-	-	-	138	-	138
Forfeiture of share options	沒收認股權	-	-	-	-	-	-	-	(37)	-	(37)
At 31 December 2007	於二零零七年十二月三十一日	200,000	42,554	336,758	150,722	63,203	101	116,288	909,626	6,025	915,651

Consolidated Statement Of Changes In Equity (Continued)

綜合權益變動表(續)

SHARE PREMIUM

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

STATUTORY RESERVE

According to the laws and regulations of the People's Republic of China ("PRC"), the PRC companies with foreign investment are required to transfer a certain percentage of its profit after taxation, as determined under PRC accounting regulations (the "net profit under PRC generally accepted accounting principles ("PRC GAAP")), to the general reserve fund, enterprise expansion fund and staff and workers' bonus and welfare fund. Distribution of these reserves shall be made in accordance with the Article of Association and approved by the board of directors each year. Other PRC companies are required to transfer a certain percentage of their net profit under PRC GAAP to the statutory surplus reserve fund until the reserve balance reaches 50% of their paid-in capital, and to transfer a certain percentage of its net profit under PRC GAAP to the statutory public welfare fund.

According to the laws and regulations of Taiwan, Taiwan companies shall set aside 10% of their statutory net income each year for legal reserve, until the reserve balance has reached the paid-in share capital amount.

These above-mentioned reserves and funds cannot be used for purposes other than those for which they were created and are not distributable as cash dividends.

股份溢價

根據開曼群島公司法，股份溢價賬可分派予本公司股東，惟本公司須於緊隨擬分派股利日期後，仍能償還其於日常業務中到期之債務。

法定儲備

根據中華人民共和國(「中國」)法例及規例，中國外商投資公司須將按中國會計規例(「中國公認會計原則」)釐訂之除稅後溢利(「中國公認會計原則項下純利」)若干百分比轉撥至一般儲備基金、企業發展基金以及職工獎勵及福利基金。分派儲備須根據公司組織章程細則之規定進行，並經董事會每年批准。其他中國公司須將中國公認會計原則項下純利若干百分比轉撥至法定盈餘公積金，直至法定盈餘公積金結餘達到實繳股本50%為止；另須將中國公認會計原則項下純利若干百分比轉撥至法定公益金。

根據台灣法例及規例，台灣公司每年須預留其法定淨收益的10%作為法定儲備，直至結餘達到實繳股本金額為止。

上述儲備及基金不得用於其成立目的以外的其他用途，亦不得用作派付現金股利。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Operating Activities	經營活動		
Profit before taxation	除稅前溢利	208,029	174,453
Adjustments for:	經調整下列各項：		
Interest income	利息收益	(6,754)	(4,321)
Depreciation of property, plant and equipment	不動產、廠場及設備折舊	17,522	20,815
(Gain) loss on disposal of property, plant and equipment	出售不動產、廠場及設備(收益)虧損	(858)	601
Gain on disposal of an associate	出售一家聯營公司收益	(1,024)	-
Gain on disposal of investment properties	出售投資物業收益	(1,199)	-
Release of prepaid lease payments	撥回自用土地租賃款	252	239
Realised and unrealised gain of held-for-trading investments	持作買賣投資之已變現及未變現收益	(4,102)	(2,476)
Increase in fair value of investment properties	投資物業公平值增加	(50)	(320)
Amortisation of intangible assets	無形資產攤銷	-	939
(Written back) allowance for obsolete inventories	陳舊存貨(撥回)撥備	(1)	1,317
Impairment loss on trade receivables	貿易應收賬款減值虧損	2,185	1,240
Share of loss of an associate	應佔一家聯營公司虧損	373	172
Share-based payments	股份付款	101	-
Share of (profit) loss of a jointly-controlled entity	應佔一家共同控制實體(溢利)虧損	(87)	5
Operating cash flows before movements in working capital	營運資金變動前之經營現金流量	214,387	192,664
Increase in inventories	存貨增加	(7,443)	(8,413)
Decrease (increase) in trade and other receivables	貿易及其他應收賬款減少(增加)	65,132	(24,916)
Decrease in held-for-trading investments	持作買賣投資減少	31,815	1,628
Increase (decrease) in trade and other payables	貿易及其他應付賬款增加(減少)	19,604	(11,843)
Increase in deferred income	遞延收益增加	427	847
Increase in defined benefit obligations	定額福利責任增加	582	427
Cash generated from operations	經營業務產生之現金	324,504	150,394
Overseas tax paid	已付海外稅項	(50,306)	(44,242)
Net cash from operating activities	經營活動所得現金淨額	274,198	106,152

Consolidated Cash Flow Statement (Continued)

綜合現金流量表(續)

	Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Investing activities	投資活動		
Proceeds on disposal of investment properties	出售投資物業所得款項	158,056	-
Interest received	已收利息	6,754	4,321
Proceeds from disposal of property, plant and equipment	出售不動產、廠場及設備所得款項	2,732	65
Proceeds on disposal of an associate	出售聯營公司所得款項	1,024	-
Purchase of property, plant and equipment	購買不動產、廠場及設備	(53,778)	(11,265)
Acquisition of available for sale investment	收購可供出售投資	(2,340)	-
Acquisition of a subsidiary	收購一家附屬公司	(6)	-
Acquisition of additional interests in subsidiaries	收購附屬公司額外權益	-	(14,520)
Investment in a jointly-controlled entity	於一家共同控制實體之投資	-	(358)
Net cash from (used in) investing activities	投資業務所得(所用)現金淨額	112,442	(21,757)
Financing activities	融資活動		
Dividends paid	派付股利	(185,000)	(80,000)
Contribution from minority shareholders	少數股東注資	5,115	-
Dividends paid to minority shareholders of subsidiaries	已派附屬公司少數股東股利	-	(326)
Net cash used in financing activities	融資活動所用現金淨額	(179,885)	(80,326)
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	206,755	4,069
Cash and cash equivalents at beginning of the year	年初之現金及現金等價物	356,243	338,748
Effect of foreign exchange rate changes	匯率變動之影響	25,743	13,426
Cash and cash equivalents at end of the year, represented by bank balances and cash	年終之現金及現金等價物(指銀行結存及現金)	588,741	356,243

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

1. GENERAL

The Company was incorporated in Cayman Islands on 29 June 2001 as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 March 2002. Its ultimate holding company and immediate holding company are Knightcote Enterprises Limited and Efficient Market Investments Limited, respectively, and both were incorporated in British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

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 its subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)
香港會計準則第1號(修訂本)

HKFRS 7
香港財務報告準則第7號

HK(IFRIC) – Int 7

香港(國際財務報告詮釋委員會) – 詮釋第7號

HK(IFRIC) – Int 8
香港(國際財務報告詮釋委員會) – 詮釋第8號

HK(IFRIC) – Int 9
香港(國際財務報告詮釋委員會) – 詮釋第9號

HK(IFRIC) – Int 10
香港(國際財務報告詮釋委員會) – 詮釋第10號

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

1. 一般資料

本公司於二零零一年六月二十九日在開曼群島註冊成立為獲豁免有限公司，其股份於二零零二年三月二十八日在香港聯合交易所有限公司(「聯交所」)上市，其最終控股公司及直接控股公司分別為Knightcote Enterprises Limited 及 Efficient Market Investments Limited，兩家公司均於英屬維爾京群島註冊成立。本公司之註冊辦事處及主要營業地點之地址於年報緒言中披露。

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及美容培訓服務，其附屬公司之主要業務載於綜合財務報表附註40。

綜合財務報表以港元呈列，亦即本公司之功能貨幣。

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)

於本年度，本集團首次應用香港會計師公會(「香港會計師公會」)所頒佈，且於二零零七年一月一日或之後開始之本集團財政年度生效之多項新訂準則、修訂及詮釋(「新香港財務報告準則」)。

Capital Disclosures
資本披露

Financial Instruments: Disclosures
金融工具：披露

Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

根據香港會計準則第29號惡性通貨膨脹經濟之財務報告應用重列法

Scope of HKFRS 2
香港財務報告準則第2號之範圍

Reassessment of Embedded Derivatives
重估內含衍生工具

Interim Financial Reporting and Impairment
中期財務報告及減值

採納新香港財務報告準則對本會計期間或過往會計期間業績及財務狀況之編製及呈列方式並無造成重大影響。因此，毋須作出前期調整。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7, retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative informative based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)

香港會計準則第1號(經修訂)

HKAS 23 (Revised)

香港會計準則第23號(經修訂)

HKAS 27 (Revised)

香港會計準則第27號(經修訂)

HKFRS 2 (Amendment)

香港財務報告準則第2號(修訂本)

HKFRS 3 (Revised)

香港財務報告準則第3號(經修訂)

HKFRS 8

香港財務報告準則第8號

HK(IFRIC)-Int 11

香港(國際財務報告詮釋委員會) – 詮釋第11號

HK(IFRIC)-Int 12

香港(國際財務報告詮釋委員會) – 詮釋第12號

HK(IFRIC)-Int 13

香港(國際財務報告詮釋委員會) – 詮釋第13號

HK(IFRIC)-Int 14

香港(國際財務報告詮釋委員會) – 詮釋第14號

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 March 2007

⁴ Effective for annual periods beginning on or after 1 January 2008

⁵ Effective for annual periods beginning on or after 1 July 2008

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)(續)

本集團已追溯應用香港會計準則第1號(修訂本)及香港財務報告準則第7號項下披露規定。上年根據香港會計準則第32號之規定呈列之若干資料已刪除，而根據香港會計準則第1號(修訂本)及香港財務報告準則第7號所規定相關比較資料已於本年度首次呈列。

本集團並無提早應用下列已頒佈但尚未生效之新訂及經修訂準則、修訂或詮釋：

Presentation of Financial Statements¹
財務報表之呈列¹

Borrowing Costs¹
借貸成本¹

Consolidated and Separate Financial Statements²
綜合及獨立財務報表²

Vesting Conditions and Cancellation¹
歸屬條件及註銷¹

Business Combination²
業務合併²

Operating Segments¹
營運分部¹

HKFRS 2: Group and Treasury Share Transactions³
香港財務報告準則第2號 – 集團及庫存股份交易³

Service Concession Arrangements⁴
服務經營權安排⁴

Customer Loyalty Programmes⁵
顧客長期支持計劃⁵

HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction⁴
香港會計準則第19號 – 界定福利資產限額、最低資金規定及其相互關係⁴

¹ 於二零零九年一月一日或之後開始之年度期間生效

² 於二零零九年七月一日或之後開始之年度期間生效

³ 於二零零七年三月一日或之後開始之年度期間生效

⁴ 於二零零八年一月一日或之後開始之年度期間生效

⁵ 於二零零八年七月一日或之後開始之年度期間生效

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)(續)

採納香港財務報告準則第3號(經修訂)可能對收購日期為於二零零九年七月一日或之後開始首個年度申報期間之業務合併會計處理方法造成影響。香港會計準則第27號(經修訂)將會影響母公司於附屬公司擁有權益變動但不會導致喪失控制權之會計處理方法，而將其列作股本交易。

本公司董事預期，應用其他新訂或經修訂準則或詮釋對本集團業績及財務狀況並無重大影響。

3. 主要會計政策

除投資物業及若干金融工具按公平值計量外，綜合財務報表乃按照歷史成本基準編製，詳情於下列會計政策闡釋。

綜合財務報表已按照香港會計師公會頒佈之香港財務報告準則編製。此外，綜合財務報表包括香港聯合交易所有限公司證券上市規則及香港公司條例所規定適用披露。

綜合基準

綜合財務報表包括本公司及受本公司控制之實體(其附屬公司)之財務報表。倘本公司有權規管實體之財務及營運政策，從而自該實體業務獲益，則構成控制權。

年內所收購或出售之附屬公司之業績，由實際收購日期起或截至實際出售日期止(視適用情況而定)計入綜合收益表。

如需要，將會就附屬公司財務報表作出調整，致使其會計政策與本集團其他成員公司所用者貫徹一致。

所有集團內公司間交易、結餘、收入及開支已於綜合賬目時對銷。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3 Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in subsidiaries is measured at the carrying amounts of identified assets and liabilities of the subsidiary and any excess of the consideration over the cost of net assets acquired are accounted for as goodwill.

3. 主要會計政策(續)

綜合基準(續)

綜合入賬附屬公司之淨資產中少數股東權益與本集團之權益分開呈列。於該淨資產中之少數股東權益包括該等權益於原業務合併日期之金額及自合併日期以來少數股東應佔權益變動之金額。少數股東應佔虧損超出少數股東於附屬公司股本中應佔權益之差額，將分配至本集團權益，惟少數股東有具約束力責任且有能力作出額外投資以填補虧損則除外。

業務合併

收購業務以收購法入賬。收購成本按所給予資產、所產生或承擔負債以及本集團就交換收購對象控制權所發行股本工具於交換日期之公平值總額，加業務合併任何直接應佔成本計量。倘收購對象之可資識別資產、負債及或然負債符合香港財務報告準則第3號業務合併之確認條件，於收購日期按公平值確認。

收購產生之商譽確認為資產負債，初步按成本確認，即業務合併成本超出本集團於已確認可資識別資產、負債及或然負債公平淨值權益之差額。倘於重新評估後，本集團於收購對象可資識別資產、負債及或然負債公平淨值權益超出業務合併成本，差額即時於損益確認。

少數股東於收購對象之權益，初步按少數股東佔已確認資產、負債及或然負債公平淨值之比例計量。

收購附屬公司之額外權益按附屬公司已識別資產及負債賬面值計量，代價超出所購入淨資產成本差額計入商譽。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. 主要會計政策(續)

商譽

於二零零五年一月一日前進行收購所產生商譽收購另一公司之淨資產及業務所產生商譽，且協議日期為二零零五年一月一日前，指收購成本超出於收購日期本集團應佔有關收購對象之可識別資產與負債公平值權益之差額。

就先前已撥充資本之二零零一年一月一日後因收購另一公司之淨資產及業務所產生商譽而言，本集團已由二零零五年一月一日起不再攤銷，而有關商譽將每年及當有跡象顯示商譽相關現金產生單位可能出現減值時檢測減值(見下列會計政策)。

於二零零五年一月一日或之後進行收購所產生商譽

收購業務所產生商譽，且協議日期為二零零五年一月一日或之後，指收購成本超出於收購日期本集團應佔有關業務之可識別資產、負債及或然負債公平值權益之差額。有關商譽按成本減任何累計減值虧損列賬。

已撥充資本之收購業務所產生商譽，於綜合資產負債表獨立呈列。

就減值檢測而言，收購所產生商譽分配至預期受惠於收購協同效益之有關現金產生單位或一組現金產生單位。獲分配商譽之現金產生單位會每年及當有跡象顯示該單位可能出現減值時檢測減值。就於某一財政年度因收購產生商譽而言，獲分配商譽之現金產生單位會於該財政年度結束前檢測減值。倘現金產生單位之可收回金額低於其賬面值，則減值虧損會先用作減低任何分配至該單位之商譽賬面值，其後則按該單位內各項資產賬面值之比例分配至該單位之其他資產。商譽減值虧損直接於綜合收益表確認。商譽減值虧損不會於往後期間撥回。

倘往後出售相關現金產生單位，於釐定出售損益金額時會計入已撥充資本之商譽應佔金額。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in associate

An associate in an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of the associate is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. 主要會計政策(續)

於聯營公司之權益

聯營公司為投資者對其具重大影響力而並非屬其附屬公司或於合營企業之權益的實體。

聯營公司之業績及資產與負債以權益會計法計入此等綜合財務報表。根據權益法，於聯營公司之投資按成本，並就本集團應佔聯營公司淨資產之收購後變動作出調整，再減任何已識別減值虧損計入綜合資產負債表。當本集團應佔聯營公司虧損相等於或超出其於該聯營公司權益(包括任何實質上構成本集團於該聯營公司之投資淨額之任何長期權益)時，本集團終止確認進一步應佔虧損。僅在本集團承擔法定或推定責任或代表該聯營公司付款之情況下，方就額外應佔虧損撥備並確認負債。

倘集團實體與本集團聯營公司進行交易，溢利及虧損將與本集團於有關聯營公司之權益對銷。

合營企業

共同控制實體

倘合營安排涉及設立獨立實體且合營各方對實體經濟活動擁有共同控制權，則稱為共同控制實體。

共同控制實體業績、資產及負債以權益會計法，納入綜合財務報表。根據權益法，於共同控制實體之投資，按成本於綜合資產負債表列賬，並就本集團於共同控制實體之淨資產的收購後變動調整另減任何已識別減值虧損。倘本集團分佔共同控制實體虧損等於或超出其於該共同控制實體之權益(包括任何實質上構成本集團於該共同控制實體投資淨額其中部分之長期權益)，本集團終止確認分佔的進一步虧損。僅於本集團已產生法定或推定責任或代表共同控制實體付款情況下，方會就分佔任何額外虧損撥備及確認負債。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

Jointly controlled entities (Continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided. Payments that are related to service not yet rendered are deferred and shown as deferred income in consolidated balance sheet.

Entrustment fees arising from arrangements for third party operators to operate the same business as the Group are recognised in the consolidated income statement in equal instalments over the entrustment periods.

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Interest income from a financial asset, excluding financial assets at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account the estimated residual value, using the straight-line method.

3. 主要會計政策(續)

合營企業(續)

共同控制實體(續)

倘集團實體與本集團共同控制實體進行交易，未變現溢利或虧損按本集團於共同控制實體之權益對銷。

收入確認

收入按已收或應收代價公平值計量，即就於日常業務中售出貨品及提供服務應收款額，扣除折扣及銷售相關稅項。

銷售貨品之收益於貨品付運及擁有權轉移時確認。

服務收入於提供服務時確認。尚未提供服務相關付款遞延入賬，於綜合資產負債表列作遞延收益。

本集團委託第三方經營者經營與本集團相同之業務安排所得委託經營收益，於委託經營期間分期按等額於綜合收益表確認。

經營租賃項下租金收益於有關租賃期按直線基準確認。

來自金融資產之利息收益參考未償還本金及適用實際利率按時間比例計算，惟不包括按公平值計入損益之金融資產。適用實際利率指將金融資產預期可使用年期之估計未來現金收入實際折算至該資產賬面淨值之比率。

不動產、廠場及設備

除在建工程外，不動產、廠場及設備包括用以生產或供應貨品或服務或就行政用途持有之樓宇，乃按成本減日後累計折舊及累計減值虧損列賬。

除在建工程外，不動產、廠場及設備項目在其估計可使用年期及經計及其估計剩餘價值，以直線法折舊，以撇銷其成本。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. 主要會計政策(續)

不動產、廠場及設備(續)

在建工程指就生產或自用目的而興建中不動產、廠場及設備。在建工程按成本減任何已確認減值虧損列賬。在建工程於完成及可作指定用途時，在適當不動產、廠場及設備類別分類。該等資產折舊按其他不動產的相同基準，於資產準備就緒作擬定用途時開始計算折舊。

不動產、廠場及設備項目於出售或預期不會自持續使用資產產生日後經濟利益時剔除確認。剔除確認資產所產生任何收益或虧損(按出售所得款項淨額與項目賬面值之間差額計算)於項目剔除確認之年度計入綜合收益表。

投資物業

投資物業乃就賺取租金及/或資本增值持有之物業。

於初步確認時，投資物業按成本計量，包括任何直接應佔開支。於初次確認後，投資物業以公平值模式計量。投資物業公平值變動所產生收益或虧損，於產生期間計入損益。

投資物業於出售或永久不能使用及預期將不會自出售取得日後經濟利益時解除確認。解除確認資產所產生收益或虧損(按出售所得款項淨額與資產賬面值間差額計算)，於解除確認項目之年度計入綜合收益表。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. 主要會計政策(續)

經營租賃

租賃條款向承租人轉讓擁有權絕大部分風險及回報之租賃分類為融資租賃。所有其他租賃分類為經營租賃。

本集團作為出租人

來自經營租賃之租金收入，於有關租賃期按直線基準在綜合收益表確認。

本集團作為承租人

根據經營租賃應付租金，於有關租賃期按直線基準自損益扣除。訂立經營租賃時已收及應收作為獎勵之利益，於租賃期按直線基準扣減租金開支確認。

租賃土地及樓宇

土地及樓宇租賃之土地及樓宇部分，就租賃分類獨立考慮，除非付款可在土地及樓宇部分間可靠分配，在此情況下，整份合約一般被視作融資租賃，按不動產、廠場及設備入賬。只要能夠可靠分配租賃付款，土地之租賃權益即計入經營租賃。

外幣

編製集團旗下個別實體之財務報表時，以該實體之功能貨幣以外貨幣(外幣)進行之交易，按交易日期之適用匯率折算為其功能貨幣(即該實體經營業務所在主要經濟環境之貨幣)入賬。於各結算日，以外幣列值之貨幣項目按該結算日之適用匯率重新換算。按公平值入賬之以外幣列值非貨幣項目，按釐定其公平值當日之適用匯率重新換算。按歷史成本計量之以外幣列值非貨幣項目，不予重新換算。

結算貨幣項目及換算貨幣項目產生的匯兌差額，於產生期間在損益確認。重新換算按公平值列賬非貨幣項目產生之匯兌差額，計入期間損益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

Retirement benefits costs

Payments to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the People's Republic of China (the "PRC") municipal government retirement scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

3. 主要會計政策(續)

外幣(續)

就綜合財務報表之呈列方式而言，本集團海外業務之資產與負債按於結算日適用之匯率換算為本集團之呈列貨幣(即港元)，而其收入及開支則按該年度之平均匯率換算，惟匯率於該期間大幅波動則除外，於此情況下，則按各交易日期適用之匯率換算。產生之匯兌差額(如有)確認為權益之獨立部分(匯兌儲備)。該等匯兌差額於出售海外業務期間在損益確認。

於二零零五年一月一日或之後收購海外業務所產生商譽及所收購可識別資產公平值變動，當作該海外業務之資產與負債處理，按於各結算日適用之匯率換算。所產生匯兌差額於匯兌儲備確認。

政府補助金

政府補助金於有關成本相應期間確認為收益。有關開支項目之補助金，於該等開支自綜合收益表扣除之相同期間確認，並獨立計入其他經營收益。

退休福利成本

香港強制性公積金計劃條例及中華人民共和國(「中國」)市政府退休計劃規定之強制性公積金付款，於僱員提供服務而應得供款時作為開支扣除。

就定額福利退休計劃而言，提供福利之成本採用預計單位給付成本法釐定，於每個結算日作出精算估值。精算收益及虧損倘超出本集團退休金責任現值及計劃資產公平值兩者之較高者10%，則於參與僱員之預期平均剩餘工作年期攤銷。倘福利已歸僱員所有，則即時確認過往服務成本，或於平均期間按直線法攤銷，直至經修訂福利歸僱員所有為止。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs (Continued)

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. 主要會計政策(續)

退休福利成本(續)

於綜合資產負債表確認之數額指定額福利責任之現值，經未確認精算收益及虧損以及未確認過往服務成本調整，並扣減計劃資產公平值。自此計算所得任何資產限於未確認精算虧損及過往服務成本，加日後計劃供款可用退款及扣減之現值。

稅項

所得稅指即期應付稅項及遞延稅項總和。

即期應付稅項按年內應課稅溢利計算。由於應課稅溢利不包括其他年度的應課稅或可扣稅收入或開支項目，亦不包括毋須課稅或不可扣稅之項目，故與綜合收益表所列溢利不同。本集團即期稅項負債按於結算日已頒佈或實際上已頒佈稅率計算。

遞延稅項就綜合財務報表內資產及負債賬面值與計算應課稅溢利所用相應稅基之間差額確認，以資產負債表負債法列賬。遞延稅項負債一般就所有應課稅暫時差額確認，遞延稅項資產於應課稅溢利可能用作抵銷可扣減暫時差額時確認。倘商譽或初次確認不影響應課稅溢利或會計溢利之交易(業務合併除外)之其他資產及負債產生暫時差額，有關資產及負債不予確認。

除非本集團能控制有關暫時差額之撥回，且暫時差額可能不會於可見未來撥回，否則就於附屬公司、聯營公司之投資以及於合營企業之權益產生之應課稅暫時差異確認遞延稅項負債。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. 主要會計政策(續)

稅項(續)

遞延稅項資產之賬面金額於每個結算日審閱，於不再有足夠應課稅溢利可供恢復全部或部分資產時減少。

遞延稅項按預期適用於清償負債或變賣資產期間之稅率計算。遞延稅項於損益扣除或計入，惟倘遞延稅項與直接於權益扣除或計入之項目有關，則遞延稅項亦於權益中處理。

無形資產

獨立購入無形資產

獨立購入且有固定可用年期之無形資產，按成本減累計攤銷及任何累計減值虧損列賬。有固定可用年期之無形資產，於估計可用年期按直線基準攤銷。

剔除確認無形資產所產生收益或虧損，按出售所得款項淨額與資產賬面值之間差額，於剔除確認資產時在綜合收益表確認。

研究支出

研究活動支出於產生期間確認為開支。

存貨

存貨以成本值及可變現淨值兩者之較低者入賬。成本乃根據加權平均成本法計算。

金融工具

當集團實體成為工具合約條文之訂約方，即於資產負債表確認金融資產及金融負債。金融資產及金融負債初步按公平值計量。收購或發行金融資產及金融負債(按公平值計入損益之金融資產及金融負債除外)直接產生之交易成本，於初次確認時於金融資產及金融負債(按適用情況而定)之公平值計入或扣除。收購按公平值計入損益之金融資產及金融負債直接應佔交易成本，即時於損益確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprises financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. 主要會計政策(續)

金融工具(續)

金融資產

本集團之金融資產可分為三個類別，包括按公平值計入損益之金融資產、貸款及應收賬款以及可供出售金融資產。金融資產一般買賣按交易日基準確認及剔除確認。一般買賣指於市場規定或慣例確立之期限內交付資產之金融資產購買或銷售。每類金融資產採納之會計政策載列如下。

實際利息法

實際利息法為計算金融資產攤銷成本及於有關期間分配利息收入之方法。實際利率為實際折算金融資產預期可使用年期或(視適用情況而定)較短期間估計未來現金收入(包括組成實際利率其中部分之已付或已收定點費用、交易成本及其他溢價或折扣)之比率。

按公平值計入損益之金融資產

按公平值計入損益之金融資產包括持作買賣金融資產。

金融資產於下列情況按持作買賣分類：

- 主要就於短期出售而購入；或
- 屬本集團共同管理，且最近有實際短期獲利回吐趨勢之已識別金融工具組合其中部分；或
- 屬衍生工具，但並無指定亦非實際作為對沖工具。

於初步確認後各結算日，按公平值計入損益之金融資產按公平值計量，而其公平值變動於產生年度直接在損益確認。於損益確認之盈虧淨額不包括就金融資產賺取之任何股利及利息。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including trade and other receivables and bank balances, are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investment.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at financial asset at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

貸款及應收賬款

貸款及應收賬款為附帶固定或待付之非衍生金融資產，且並無在活躍市場報價。於初步確認後各結算日，貸款及應收賬款(包括貿易及其他應收賬款以及銀行結存)採用實際利率法按攤銷成本，減任何已識別減值虧損列賬。(參閱下文金融資產減值虧損之會計政策。)

可供出售金融資產

可供出售金融資產為並無指定或並無列作按公平值計入損益之金融資產、貸款及應收賬款或持至到期投資之非衍生項目。

於初步確認後各計算日，可供出售金融資產按公平值計量。公平值變動於股本權益確認，直至金融資產售出或確定出現減值，屆時過往於股本權益確認之累計收益或虧損，自股本權益移除，並於損益確認(參閱下文金融資產減值虧損之會計政策。)

於初步確認後各結算日，並無活躍市場報價且公平值未能可靠計量之可供出售股本投資按成本減任何已識別減值虧損計量。(參閱下文金融資產減值虧損之會計政策。)

金融資產減值

除按公平值計入損益之金融資產外，於每個結算日評估金融資產有否減值跡象。倘有客觀證據顯示，金融資產基於初步確認金融資產後發生之一項或多項事件而出現減值，則金融資產估計未來現金流量已受到影響。

就可供出售金融資產而言，投資公平值大幅或長期低於成本，則視為減值之客觀跡象。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from one to six months, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

就所有其他金融資產而言，減值之客觀跡象包括：

- 發行人或訂約方出現重大財政困難；或
- 利息或本金付款逾期或拖欠；或
- 借款人可能破產或作出債務重組。

就貿易及其他應收賬款等若干類別金融資產而言，並非個別評估為減值之資產其後按集體基準評估減值。應收賬款組合減值之客觀證據包括本集團過往收賬經驗、組合內逾期付款超過平均信貸期一至六個月次數增加、與應收賬款相關國家或當地經濟環境明顯轉變。

按攤銷成本列賬之金融資產，其減值虧損於有客觀證據證明資產減值時於損益確認，並按資產賬面值與按原實際利率折算之估計未來現金流量現值間差額釐定計量。

就所有金融資產而言，減值虧損直接於賬面值扣除，惟貿易及其他應收賬款則透過撥備賬扣除。撥備賬賬面值轉變，於損益確認。倘應收賬款被視為無法收回，則於撥備賬撇銷。倘其後收回過往撇銷之款額，則計入損益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

就按攤銷成本計量之金融資產，倘減值虧損款額於往後期間減少，而減少可與確認減值虧損後發生之事件客觀相關，則過往已確認減值虧損透過損益撥回，惟撥回減值當日資產賬面值不得超過假設並無確認減值之原有攤銷成本。

就按成本列賬之金融資產而言，減值虧損數額按資產賬面值與以類似金融資產之現行市場回報率貼現之估計未來現金流量現值間之差額計量。該減值虧損不會於往後期間撥回。

金融負債及股本權益

由集團旗下實體發行之金融負債及股本工具，按所訂立合約安排性質以及金融負債及股本工具之定義分類。

股本工具為證明集團資產剩餘權益(經扣除其所有負債)之任何合約。

實際利息法

實際利息法為計算金融負債攤銷成本及於有關期間分配利息開支之方法。實際利率為實際折算金融負債預期年期或(如適用)較短期間估計未來現金付款之比率。

利息開支按實際息率基準確認。

金融負債

本集團金融負債、貿易及其他應付賬款其後按攤銷成本以實際利率法計量。

股本工具

由本公司發行之股本工具按已收所得款項扣除直接發行成本入賬。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. 主要會計政策(續)

金融工具(續)

剔除確認

當自資產收取現金流量之權利已屆滿，或金融資產已轉讓及本集團已將其於金融資產擁有權之絕大部分風險及回報轉移，則金融資產將剔除確認。剔除確認金融資產時，資產賬面值與已收及應收代價與已直接於股本權益確認之累計損益總和之間差額，於損益確認。倘本集團保留已轉讓資產擁有權絕大部分風險及回報，本集團繼續確認金融資產，並確認已收所得款項之已抵押借貸。

金融負債則於有關合約訂明之責任獲解除、取消或屆滿時剔除確認。剔除確認之金融負債賬面值與已付或應付代價之間差額，於損益確認。

有形資產及無形資產減值虧損(商譽除外)

本集團於每個結算日檢討其有形及無形資產之賬面值，以確定該等資產有否出現減值虧損跡象。此外，有固定可用年期及尚未供使用的無形資產每年及於有跡象顯示可能出現減值時檢測減值。倘資產之可收回金額估計低於其賬面值，則資產之賬面值將撇減至其可收回金額。減值虧損即時確認為開支。

倘減值虧損隨後撥回，資產賬面值將增至經修訂之估計可收回金額，惟因此而增加之賬面值不可超過假設往年並無就該資產確認減值虧損而原應釐定之賬面值。減值虧損撥回即時確認為收入。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. 主要會計政策(續)

股份付款交易

股本權益結算股份付款交易

授予僱員認股權

所收取服務公平值參考所授出認股權於授出日期之公平值釐定，於歸屬期間以直線法支銷，或於即時歸屬認股權情況在授出日期按開支全數確認，股本權益相應增加(認股權儲備)。

本集團於每個結算日修訂其對預期最終歸屬認股權數目之估計。修訂估計之影響(如有)，於損益確認，認股權儲備亦作出相應調整。

行使認股權時，過往於認股權儲備確認之款額，將轉撥至股份溢價。倘認股權於歸屬日期後沒收或於屆滿日期仍未獲行使，則過往於認股權儲備確認之款額將轉撥至保留溢利。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is approximately HK\$24.6 million (2006: HK\$23.2 million). Details of the recoverable amount calculation are set out in note 18.

5. TURNOVER

Turnover represents (i) the net amounts received and receivables for goods sold by the Group to outside customers and is stated net of sales returns and allowances, (ii) service income from provision of skin treatments, beauty and SPA services and (iii) entrustment fee income for the year, and is analysed as follows:

Sales of goods	產品銷售
Service income	服務收入
Entrustment fee income	委託經營收益

4. 不確定估計之主要來源

有重大風險導致下一財政年度資產及負債賬面款額重大調整之有關未來主要假設及於結算日之估計不確定因素主要來源，於下文討論。

估計商譽減值

釐定商譽是否減值須估計獲分配商譽之現金產生單位之使用價值。計算使用價值時，本集團須估計該現金產生單位預期日後產生現金流量，並估算合適折算率以計算現值。倘實際日後現金流量低於預期，則可能出現重大減值虧損。於二零零七年十二月三十一日，商譽賬面值約為24,600,000港元(二零零六年：23,200,000港元)，可收回金額計算詳情載於附註18。

5. 營業額

營業額指(i)本年度本集團售予外界客戶貨品之已收及應收淨額，乃扣除銷售退貨及折扣後列賬；(ii)來自提供肌膚護理、美容及SPA服務之服務收入；及(iii)委託經營收益，分析如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Sales of goods	產品銷售	430,416	334,560
Service income	服務收入	16,914	24,482
Entrustment fee income	委託經營收益	2,817	4,704
		450,147	363,746

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

The Group's operations are located in the PRC, Taiwan, Hong Kong and Malaysia.

An analysis of the Group's revenue and contribution to segment results and segment assets and liabilities by geographic segments based on customers location, irrespective of the origin of the goods/services, is presented below:

6. 業務及地域分部

地域分部

本集團之業務位於中國大陸、台灣、香港及馬來西亞。

本集團按客戶所在地而定之地域分部(不論貨品/服務來源地)劃分之收入、對分部業績之貢獻以及分部資產及負債之分析如下：

		PRC 中國大陸 HK\$'000 千港元	Taiwan 台灣 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Total 總計 HK\$'000 千港元
For the year ended 31 December 2007	截至二零零七年 十二月三十一日 止年度				
Turnover	營業額	<u>316,808</u>	<u>126,837</u>	<u>6,502</u>	<u>450,147</u>
Segment results	分部業績	<u>174,024</u>	<u>44,732</u>	<u>(5,198)</u>	<u>213,558</u>
Unallocated expenses	未撥配支出				(11,997)
Unallocated income	未撥配收益				6,754
Share of loss of an associate	應佔一家聯營公司 虧損				(373)
Share of profit of a jointly controlled entity	應佔一家共同控制 實體溢利				<u>87</u>
Profit before taxation	除稅前溢利				<u>208,029</u>
Income tax expense	所得稅開支				<u>(29,248)</u>
Profit for the year	年內溢利				<u>178,781</u>

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Geographical segments

Consolidated balance sheet

6. 業務及地域分部(續)

地域分部

綜合資產負債表

		PRC 中國大陸 HK\$'000 千港元	Taiwan 台灣 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Assets	資產				
Segment assets	分部資產	291,155	131,218	10,666	433,039
Unallocated assets	未撥配資產				599,275
Consolidated total assets	綜合總資產				1,032,314
Liabilities	負債				
Segment liabilities	分部負債	58,448	45,728	1,824	106,000
Unallocated liabilities	未撥配負債				10,663
Consolidated total liabilities	綜合總負債				116,663
Other information	其他資料				
Capital expenditure	資本開支	44,821	4,408	4,549	53,778
Depreciation of property, plant and equipment	不動產、廠場及設備折舊	11,461	4,930	1,131	17,522
Release of prepaid lease payments	撥回自用土地租賃款	252	-	-	252
(Gain) loss on disposal of property, plant and equipment	出售不動產、廠場及設備(收益)虧損	(884)	(3)	29	(858)
Gain on disposal of investment property	出售投資物業收益	-	(1,199)	-	(1,199)
(Written back) allowance for obsolete inventories	陳舊存貨(撥回)撥備	(866)	809	56	(1)
Impairment loss on trade receivables	貿易應收賬款減值虧損	1,401	784	-	2,185
Increase in fair value of investment property	投資物業公平值增加	-	50	-	50

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Geographical segments (Continued)

6. 業務及地域分部(續)

地域分部(續)

		PRC 中國大陸 HK\$'000 千港元	Taiwan 台灣 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Total 總計 HK\$'000 千港元
For the year ended 31 December 2006	截至二零零六年 十二月三十一日 止年度				
Turnover	營業額	<u>240,011</u>	<u>114,820</u>	<u>8,915</u>	<u>363,746</u>
Segment results	分部業績	<u>129,269</u>	<u>51,425</u>	<u>(3,774)</u>	176,920
Unallocated expenses	未撥配支出				(9,087)
Unallocated income	未撥配收益				6,797
Share of loss of an associate	應佔一家聯營公司 虧損				(172)
Share of loss of a jointly controlled entity	應佔一家共同控制 實體虧損				<u>(5)</u>
Profit before taxation	除稅前溢利				174,453
Income tax expense	所得稅開支				<u>(51,641)</u>
Profit for the year	年內溢利				<u>122,812</u>

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Geographical segments (Continued)

Consolidated balance sheet

6. 業務及地域分部(續)

地域分部(續)

綜合資產負債表

		PRC 中國大陸 HK\$'000 千港元	Taiwan 台灣 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Assets	資產				
Segment assets	分部資產	309,616	273,694	5,824	589,134
Interest in an associate	於一家聯營公司之權益	373	–	–	373
Interest in a jointly controlled entity	於一家共同控制實體之權益	–	353	–	353
Unallocated assets	未撥配資產				407,800
Consolidated total assets	綜合總資產				997,660
Liabilities	負債				
Segment liabilities	分部負債	39,879	41,605	5,305	86,789
Unallocated liabilities	未撥配負債				31,700
Consolidated total liabilities	綜合總負債				118,489
Other information	其他資料				
Capital expenditure	資本開支	8,794	2,142	329	11,265
Depreciation of property, plant and equipment	不動產、廠場及設備折舊	13,461	6,581	773	20,815
Release of prepaid lease payments	撥回自用土地租賃款	239	–	–	239
Loss on disposal of property, plant and equipment	出售不動產、廠場及設備虧損	139	–	462	601
Amortisation of intangible assets	無形資產攤銷	939	–	–	939
Allowance for obsolete inventories	陳舊存貨撥備	1,027	–	290	1,317
Impairment loss on trade receivables	貿易應收賬款減值虧損	1,171	69	–	1,240
Increase in fair value of investment property	投資物業公平值增加	–	320	–	320

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(Continued)

Business segments

For management purposes, the Group is currently organised into 2 operating divisions - (i) sale of cosmetic products and provision of beauty services and (ii) leasing of investment properties. In the opinion of the directors, the leasing of investment properties are not considered as the principal activity of the Group, and accordingly, the income from this segment is not included as turnover.

An analysis of the Group's turnover by business segments is presented below:

		Turnover 營業額		Other income 其他收益	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Cosmetic products and beauty services	美容產品及美容服務	450,147	363,746	-	-
Investment properties	投資物業	-	-	4,942	6,492
Others	其他	-	-	27,519	40,831
		<u>450,147</u>	<u>363,746</u>	<u>32,461</u>	<u>47,323</u>

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the business segments in which the assets are located:

		Carrying amount of segment assets 分部資產賬面值		Capital expenditure 資本開支	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Cosmetic products and beauty services	美容產品及美容服務	428,495	426,906	53,778	11,265
Investment properties	投資物業	4,544	162,228	-	-
		<u>433,039</u>	<u>589,134</u>	<u>53,778</u>	<u>11,265</u>

6. 業務及地域分部(續)

業務分部

就管理目的而言，本集團現分為兩個營業部門－(i)銷售美容產品及提供美容服務以及(ii)出租投資物業。董事認為，出租投資物業並不視作本集團主要業務，因此，來自此分部之收入不計入營業額內。

本集團按業務分部劃分之營業額分析如下：

按資產所在地而定之業務分部劃分之分部資產賬面值及資本開支分析如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

7. OTHER INCOME

7. 其他收益

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Rental income from investment properties	來自投資物業之租金收益	3,693	6,172
Rental income from other properties and equipment	來自其他不動產及設備之租金收益	3,839	2,713
Interest income on bank deposits	銀行存款利息收益	6,754	4,321
Financial refunds (note)	財務退款(附註)	9,659	26,506
Increase in fair value of investment properties	投資物業公平值增加	50	320
Realised and unrealised gain on held-for-trading investment	持作買賣投資已變現及未變現收益	4,102	2,476
Gain on disposal of an associate	出售一家聯營公司收益	1,024	-
Gain on disposal of property, plant and equipment	出售不動產、廠場及設備收益	858	-
Gain on disposal of investment property	出售投資物業收益	1,199	-
Others	其他	1,283	4,815
		32,461	47,323

Note: Pursuant to the local practice of the finance bureau of the provinces in which certain of the PRC subsidiaries operate, the PRC subsidiaries will receive financial refunds in the form of government grants by way of negotiation with the relevant finance bureau with reference to the percentage of income and other taxes paid. These financial refunds are treated as tax exempted by such finance bureaus. However, the refunds and the tax exemption treatment thereof are subject to review annually. It is therefore uncertain if these subsidiaries will continue to be eligible for such financial refunds and the tax exemption treatment thereof in the future.

附註：根據中國大陸若干附屬公司經營所在省份之財政部門所採納當地慣例，中國大陸附屬公司將於與有關財政部門商議後，參考收益及其他已繳稅款某個百分比透過政府補助金方式獲得財務退款。該等財務退款被當作該等財政部門作出之稅項豁免處理。然而，有關退款及稅項豁免待遇須每年審閱。因此，不能確定該等附屬公司日後將繼續合資格享有該等財務退款及稅項豁免待遇。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

8. PROFIT BEFORE TAXATION

8. 除稅前溢利

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Profit before taxation has been arrived at after charging (crediting):	除稅前溢利經扣除(計入)下列各項後列賬:		
Staff costs:	員工成本:		
– directors' emoluments (note 9)	– 董事酬金(附註9)	1,560	2,744
– other staff costs	– 其他員工成本	71,476	52,347
Retirement benefits scheme contributions, excluding directors:	退休福利計劃供款, 不包括董事之:		
– contributions to defined contribution plan	– 定額供款計劃供款	7,062	5,161
– expenses recognised in respect of defined benefit plan (note 28)	– 定額福利計劃之已確認開支(附註28)	870	933
Share-based payments	股份付款	101	–
Total staff costs	員工成本總額	<u>81,069</u>	<u>61,185</u>
Depreciation of property, plant and equipment	不動產、廠場及設備折舊	17,522	20,815
Amortisation of intangible assets, included in administrative expenses	無形資產攤銷, 包括於行政開支	–	939
Total depreciation and amortisation	折舊及攤銷總額	<u>17,522</u>	<u>21,754</u>
Release of prepaid lease payments	撥回自用土地租賃款	252	239
Auditors' remuneration	核數師酬金	3,508	2,862
(Gain) loss on disposal of property, plant and equipment	出售不動產、廠場及設備(收益)虧損	(858)	601
Research and development costs	研發成本	1,693	1,996
(Written back) allowance for obsolete inventories	陳舊存貨(撥回)撥備	(1)	1,317
Cost of inventories recognised as expense	已確認為開支之存貨成本	77,573	68,725
Impairment loss on trade receivables	貿易應收賬款減值虧損	2,185	1,240
Exchange loss	匯兌虧損	180	1,427

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2006: 7) directors were as follows:

For the year ended 31 December 2007

		Dr. Tsai Yen Yu 蔡燕玉 博士 HK\$'000 千港元	Mr. Lee Ming Ta 李明達 先生 HK\$'000 千港元	Dr. Su Chien Cheng 蘇建誠 博士 HK\$'000 千港元	Dr. Su Sh Hsyu 蘇詩琇 博士 HK\$'000 千港元	Mr. Yeh Liang Fei 葉良輝 先生 HK\$'000 千港元	Mrs. Chen Shieh Shu Chen 陳謝淑珍 女士 HK\$'000 千港元	Mr. Chen Ching 譚清 先生 HK\$'000 千港元	Total 2007 總計 二零零七年 HK\$'000 千港元
Fees	袍金	1,000	700	600	600	20	20	48	2,988
Other emoluments	其他酬金								
Salaries and other benefits	薪金及其他福利	14	325	292	805	-	-	-	1,436
Contributions to retirement benefits scheme	退休福利計劃供款	-	17	15	4	-	-	-	36
Waiver of fees	放棄袍金	(1,000)	(700)	(600)	(600)	-	-	-	(2,900)
Total emoluments	酬金總額	14	342	307	809	20	20	48	1,560

For the year ended 31 December 2006

		Dr. Tsai Yen Yu 蔡燕玉 博士 HK\$'000 千港元	Mr. Lee Ming Ta 李明達 先生 HK\$'000 千港元	Dr. Su Chien Cheng 蘇建誠 博士 HK\$'000 千港元	Dr. Su Sh Hsyu 蘇詩琇 博士 HK\$'000 千港元	Mr. Yeh Liang Fei 葉良輝 先生 HK\$'000 千港元	Mrs. Chen Shieh Shu Chen 陳謝淑珍 女士 HK\$'000 千港元	Mr. Chen Ching 譚清 先生 HK\$'000 千港元	Total 2006 總計 二零零六年 HK\$'000 千港元
Fees	袍金	1,000	700	600	600	20	20	48	2,988
Other emoluments	其他酬金								
Salaries and other benefits	薪金及其他福利	14	325	291	564	-	-	-	1,194
Contributions to retirement benefits scheme	退休福利計劃供款	-	6	5	1	-	-	-	12
Waiver of fees	放棄袍金	(500)	(350)	(300)	(300)	-	-	-	(1,450)
Total emoluments	酬金總額	514	681	596	865	20	20	48	2,744

For the year ended 31 December 2007, each of the executive directors voluntarily agreed to waive their entitlement to certain remuneration of approximately HK\$2.9 million (2006: HK\$1.5 million).

9. 董事酬金

已付或應付七名(二零零六年：七名)董事之酬金如下：

截至二零零七年十二月三十一日止年度

截至二零零六年十二月三十一日止年度

截至二零零七年十二月三十一日止年度，各執行董事自願同意放棄收取若干酬金約2,900,000港元(二零零六年：1,500,000港元)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2006: three) are directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the five (2006: two) individuals were as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Salaries and other benefits	薪金及其他福利	6,223	1,262
Contributions to retirement benefits scheme	退休福利計劃供款	36	44
Share-based payment expense	股份付款	70	-
Discretionary and performance related incentive payments	酌情及表現掛鈎獎勵計劃	1,545	-
		7,874	1,306

The emoluments of the five (2006: two) within the following bands:

		2007 二零零七年 Headcount 人數	2006 二零零六年 Headcount 人數
HK\$0 – HK\$1,000,000	零港元至1,000,000港元	1	2
HK\$1,000,001 – HK\$2,000,000	1,000,001港元至2,000,000港元	3	-
HK\$3,000,001 – HK\$4,000,000	3,000,001港元至4,000,000港元	1	-

10. 僱員酬金

本集團五名最高薪酬人士當中並無本公司董事(二零零六年:三名),彼等之酬金詳情已於上文附註9披露。五名(二零零六年:兩名)人士之酬金如下:

五名(二零零六年:兩名)最高薪酬人士之酬金介乎以下範圍:

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

11. INCOME TAX EXPENSE

11. 所得稅開支

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
The charge comprises:	支出包括：		
Taxation in PRC and Taiwan	於中國大陸及台灣之稅項		
Current year	本年度	26,772	53,983
Underprovision in prior years	過往年度撥備不足	233	2,144
		<u>27,005</u>	<u>56,127</u>
Deferred taxation (note 31)	遞延稅項 (附註31)		
Current year	本年度	1,625	(4,486)
Change in tax rate	稅率變動	618	-
		<u>2,243</u>	<u>(4,486)</u>
		<u>29,248</u>	<u>51,641</u>

PRC Enterprise Income Tax are calculated at 27% or 33% of the assessable profit for the year. Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday").

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 27% or 33% to 25% for subsidiaries established in the PRC from 1 January 2008. The Tax Holiday will continue on the implementation of the New Law using the preferential tax rate. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Pursuant to the relevant laws and regulations in Taiwan, certain of the Group's Taiwan subsidiaries are eligible to certain tax concessions.

中國企業所得稅按有關年度應課稅溢利以稅率27%或33%計算。根據中國相關法例及規例，本集團若干中國附屬公司自首個獲利年度起獲豁免繳納中國所得稅兩年，其後三年獲寬減50%（「稅務減免」）。

二零零七年三月十六日，中國透過中國主席令第六十三號頒佈中國企業所得稅法（「新法」）。於二零零七年十二月六日，中國國務院發出新法實施條例。新法及實施條例將於中國成立之附屬公司稅率由27%或33%改為25%，由二零零八年一月一日起生效。新法實行後將繼續按優惠稅率享有稅務減免。遞延稅項結餘已調整，以反映預期於資產變現或負債結算各期間適用之稅率。

根據台灣有關法例及規例，本集團若干台灣附屬公司合資格享有若干稅務寬減。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

11. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profit for both years.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Profit before taxation	除稅前溢利	208,029	174,453
Tax at domestic rates applicable to profits of taxable entities in the countries concerned	就應課稅實體於有關國家溢利，按當地稅率計算	66,429	55,522
Tax effect of expenses not deductible for tax purpose	不可扣稅支出之稅務影響	9,026	10,555
Tax effect of income not taxable for tax purpose	毋須課稅收益之稅務影響	(5,769)	(10,273)
Tax effect of tax losses not recognised	未確認稅項虧損之稅務影響	4,593	3,324
Tax effect of tax concession provided to a Taiwan subsidiary	給予一家台灣附屬公司稅務寬減之稅務影響	(6,614)	(9,631)
Tax effect of tax exemption granted to a PRC subsidiary	授予一家中國附屬公司稅務豁免之稅務影響	(39,268)	-
Underprovision in prior years	過往年度撥備不足	233	2,144
Change in tax rate	稅率變動	618	-
Taxation charge for the year	年內稅項支出	29,248	51,641

Note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

11. 所得稅開支(續)

由於本公司及其附屬公司在兩個年度均無應課稅溢利，故並無就香港利得稅作出撥備。

年內稅項支出與綜合收益表所示除稅前溢利對賬如下：

附註：由於本集團於多個不同稅務司法權區經營業務，以各個別稅務司法權區當地稅率作出之獨立對賬已合併並呈列。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

12. DIVIDENDS

Dividend recognised as distribution during the year:	年內確認為分派之股利：		
Interim dividend, paid – HK\$0.030 per share (2006: HK\$0.0140)	已派付中期股利 – 每股0.030港元 (二零零六年：0.0140港元)	60,000	28,000
Interim special dividend, paid – HK\$0.020 per share (2006: HK\$0.0060)	已派付中期特別股利 – 每股0.020港元 (二零零六年：0.0060港元)	40,000	12,000
Final dividend, paid – HK\$0.030 per share (2006: HK\$0.020)	已派付末期股利 – 每股0.030港元 (二零零六年：0.020港元)	60,000	40,000
Final special dividend, paid – HK\$0.0125 per share (2006: Nil)	已派付末期特別股利 – 每股0.0125港元 (二零零六年：無)	25,000	–
		185,000	80,000

The final dividend of HK\$0.0420 (2006: HK\$0.030) per share and a final special dividend of HK\$0.0580 (2006: HK\$0.0125) per share, amounting to approximately HK\$84,000,000 and HK\$116,000,000, respectively, have been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the profit attributable to the equity holders of the Company of HK\$178,707,000 (2006: HK\$123,198,000) and on the number of 2,000,000,000 (2006: 2,000,000,000) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year ended 31 December 2007.

No diluted earnings per share has been presented as the Company has no dilutive potential ordinary shares in issue during the year ended 31 December 2006.

12. 股利

2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
60,000	28,000
40,000	12,000
60,000	40,000
25,000	–
185,000	80,000

董事建議派付末期股利每股0.0420港元(二零零六年：0.030港元)及末期特別股利每股0.0580港元(二零零六年：0.0125港元)，分別合共約84,000,000港元及116,000,000港元，惟須待股東於股東大會批准。

13. 每股盈利

本公司股東應佔每股基本盈利乃根據本公司股東應佔溢利178,707,000港元(二零零六年：123,198,000港元)及本公司年內已發行普通股數目2,000,000,000股(二零零六年：2,000,000,000股)計算。

由於本公司認股權行使價高於截至二零零七年十二月三十一日止年度每股平均市價，故並無呈列每股攤薄盈利。

由於本公司於截至二零零六年十二月三十一日止年度並無已發行具潛在攤薄影響普通股，故並無呈列每股攤薄盈利。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

14. INVESTMENT PROPERTIES

14. 投資物業

		HK\$'000 千港元
FAIR VALUE	公平值	
At 1 January 2006	於二零零六年一月一日	159,653
Exchange realignment	匯兌調整	2,255
Increase in fair value recognised in the consolidated income statement	於綜合收益表確認之公平值增加	<u>320</u>
At 31 December 2006	於二零零六年十二月三十一日	162,228
Exchange realignment	匯兌調整	(877)
Disposal during the year	年內出售	(156,857)
Increase in fair value recognised in the consolidated income statement	於綜合收益表確認之公平值增加	<u>50</u>
At 31 December 2007	於二零零七年十二月三十一日	<u>4,544</u>

The fair values of the Group's investment properties at 31 December 2007 and 2006 have been arrived at on the basis of a valuation carried out on that date by Messrs. Euro-Asia Real Estate Appraisers Firm and Vigers Landmart Taiwan Limited, respectively, independent qualified professional valuers not connected with the Group. Both Messrs. Euro-Asia Real Estate Appraisers Firm and Vigers Landmart Taiwan Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison approach by reference to market evidence of recent transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above are situated on freehold land outside Hong Kong.

本集團之投資物業於二零零七年及二零零六年十二月三十一日之公平值乃分別按與本集團並無關連之獨立合資格專業估值師 Messrs. Euro-Asia Real Estate Appraisers Firm 及 Vigers Landmart Taiwan Limited 進行之估值為基準得出。Messrs. Euro-Asia Real Estate Appraisers Firm 及 Vigers Landmart Taiwan Limited 均為估值師學會(Institute of Valuers)會員，具備合適資格，最近亦有評估相關地區類似物業之經驗。有關估值按直接比較法進行，乃經參考類似物業之近期交易價格市場證據得出。

本集團以經營租賃持有用作賺取租金或資本增值之物業權益，均以公平值模式計量，並分類為及列作投資物業。

上述投資物業賬面值包括位於香港境外之永久業權土地。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

15. PROPERTY, PLANT AND EQUIPMENT

15. 不動產、廠場及設備

		Freehold land 永久業權 土地 HK\$'000 千港元	Buildings 樓宇 HK\$'000 千港元	Leasehold improvements 租賃改良 HK\$'000 千港元	Plant and machinery 廠場及機器 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Furniture, fixtures and equipment 傢具、裝置 及設備 HK\$'000 千港元	Construction in progress 在建工程 HK\$'000 千港元	Total 總計 HK\$'000 千港元
COST	成本								
At 1 January 2006	於二零零六年一月一日	23,818	130,589	58,626	26,471	5,750	46,955	-	292,209
Exchange realignment	匯兌調整	336	4,135	1,598	992	(542)	1,841	12	8,372
Additions	增添	-	551	6,013	1,060	1,508	1,591	542	11,265
Disposals	出售	-	-	(5,784)	(471)	(596)	(625)	-	(7,476)
At 31 December 2006	於二零零六年 十二月三十一日	24,154	135,275	60,453	28,052	6,120	49,762	554	304,370
Exchange realignment	匯兌調整	132	8,005	2,728	1,940	377	2,219	1,280	16,681
Additions	增添	-	30	9,596	2,032	3,115	9,130	29,875	53,778
Disposals	出售	-	(1,176)	(9,223)	(683)	(2,581)	(1,353)	-	(15,016)
At 31 December 2007	於二零零七年 十二月三十一日	24,286	142,134	63,554	31,341	7,031	59,758	31,709	359,813
DEPRECIATION	折舊								
At 1 January 2006	於二零零六年一月一日	-	21,201	39,400	18,081	3,411	31,391	-	113,484
Exchange realignment	匯兌調整	-	632	1,134	752	44	840	-	3,402
Provided for the year	年內撥備	-	3,120	8,918	2,188	675	5,914	-	20,815
Eliminated on disposals	於出售時撇銷	-	-	(5,668)	(350)	(462)	(330)	-	(6,810)
At 31 December 2006	於二零零六年 十二月三十一日	-	24,953	43,784	20,671	3,668	37,815	-	130,891
Exchange realignment	匯兌調整	-	1,287	1,949	1,500	181	1,600	-	6,517
Provided for the year	年內撥備	-	3,246	7,066	1,677	453	5,080	-	17,522
Eliminated on disposals	於出售時撇銷	-	(463)	(9,223)	(489)	(1,931)	(1,036)	-	(13,142)
At 31 December 2007	於二零零七年 十二月三十一日	-	29,023	43,576	23,359	2,371	43,459	-	141,788
CARRYING VALUES	賬面值								
At 31 December 2007	於二零零七年 十二月三十一日	24,286	113,111	19,978	7,982	4,660	16,299	31,709	218,025
At 31 December 2006	於二零零六年 十二月三十一日	24,154	110,322	16,669	7,381	2,452	11,947	554	173,479

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying values of buildings shown above are situated on:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Land held in the PRC under medium term land use rights	於中國根據中期土地使用權持有之土地	96,930	93,622
Freehold land in Taiwan	於台灣持有永久業權之土地	16,181	16,700
		113,111	110,322

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rate per annum:

Freehold land	Nil
Buildings	40 – 55 years
Leasehold improvements	The shorter of the unexpired period of the lease and estimated useful life of 3 to 10 days
Plant and machinery	5 – 10 years
Motor vehicles	3 – 5 years
Furniture, fixtures and equipment	2 – 15 years

Certain plant and equipment with a total carrying values of HK\$1,798,000 (2006: HK\$3,363,000) were entrusted to the operators of the Group (note 23).

16. PREPAID LEASE PAYMENTS

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
The Group's prepaid lease payments comprise land use rights in the PRC under medium-term land use rights	本集團之自用土地租賃款包括於中國以中期土地使用權持有之土地使用權	9,778	9,363
Analysed for reporting purposes as:	就申報用途分析如下：		
Non-current asset	非流動資產	9,516	9,119
Current asset	流動資產	262	244
		9,778	9,363

15. 不動產、廠場及設備(續)

上述樓宇賬面值位於以下地區：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Land held in the PRC under medium term land use rights	於中國根據中期土地使用權持有之土地	96,930	93,622
Freehold land in Taiwan	於台灣持有永久業權之土地	16,181	16,700
		113,111	110,322

除在建工程外，上述不動產、廠場及設備項目採用直線法按以下年率折舊：

永久業權土地	無
樓宇	40 – 55年
租賃改良	剩餘租賃年期及估計可使用年期3至10年之較短者
廠場及機器	5 – 10年
汽車	3 – 5年
傢具、裝置及設備	2 – 15年

總賬面值1,798,000港元(二零零六年：3,363,000港元)之若干廠場及設備已委託予本集團之經營者(附註23)。

16. 自用土地租賃款

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
The Group's prepaid lease payments comprise land use rights in the PRC under medium-term land use rights	本集團之自用土地租賃款包括於中國以中期土地使用權持有之土地使用權	9,778	9,363
Analysed for reporting purposes as:	就申報用途分析如下：		
Non-current asset	非流動資產	9,516	9,119
Current asset	流動資產	262	244
		9,778	9,363

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

17. INTANGIBLE ASSETS

17. 無形資產

		Patents and trademarks 專利權 及商標 HK\$'000 千港元	Web site development costs 網站開發 成本 HK\$'000 千港元	Total 總計 HK\$'000 千港元
COST				
At 1 January 2006	於二零零六年一月一日	1,712	4,636	6,348
Exchange realignment	匯兌調整	24	166	190
At 31 December 2006 and 2007	於二零零六年及二零零七年 十二月三十一日	1,736	4,802	6,538
AMORTISATION				
At 1 January 2006	於二零零六年一月一日	1,712	3,709	5,421
Exchange realignment	匯兌調整	24	154	178
Charge for the year	本年度支出	-	939	939
At 31 December 2006 and 2007	於二零零六年及二零零七年 十二月三十一日	1,736	4,802	6,538
CARRYING VALUES				
At 31 December 2007	於二零零七年十二月三十一日	-	-	-
At 31 December 2006	於二零零六年十二月三十一日	-	-	-

Patents and trademarks are internally generated and the website was acquired from third parties.

專利權及商標為公司內部產生，而網站則自第三方購入。

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

上述無形資產均有限定使用年期。該等無形資產採用直線法按下列年期攤銷：

Patents and trademarks	5 - 10 years	專利權及商標	5-10年
Web site development costs	5 years	網站開發成本	5年

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

18. GOODWILL

18. 商譽

		HK\$'000 千港元
COST	成本	
At 1 January 2006	於二零零六年一月一日	17,090
Exchange realignment	匯兌調整	531
Arising on acquisition of additional interest in a subsidiary	收購一家附屬公司額外權益產生	8,778
		<u>26,399</u>
At 31 December 2006	於二零零六年十二月三十一日	26,399
Exchange realignment	匯兌調整	1,355
		<u>27,754</u>
At 31 December 2007	於二零零七年十二月三十一日	27,754
IMPAIRMENT	減值	
At 1 January 2006	於二零零六年一月一日	-
Impairment loss recognised for the year	本年度確認之減值虧損	3,192
		<u>3,192</u>
At 31 December 2006 and 2007	於二零零六年及二零零七年十二月三十一日	3,192
CARRYING VALUES	賬面值	
At 31 December 2007	於二零零七年十二月三十一日	24,562
At 31 December 2006	於二零零六年十二月三十一日	23,207

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit, namely, sale of cosmetic products (CGU). The carrying amounts of goodwill as at 31 December 2007 and 2006 is allocated to this CGU.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using a declining growth rate, and discount rate of 8% (2006: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

就減值檢測而言，商譽已分配至個別現金產生單位(即銷售美容產品)。於二零零七年及二零零六年十二月三十一日之商譽賬面值乃分配至此現金產生單位。

現金產生單位的可收回金額已根據使用價值計算。計算方法按照管理層已核准的五年財務預算的現金流量預測，以下降增長率及8%(二零零六年：8%)折現率計算。此增長率乃根據相關行業增長預測，惟不可超過該相關行業平均長期增長率。使用價值計算方法之另一項主要假設與估計現金流入／流出(包括預算銷售額及毛利率)有關，有關估計按現金產生單位之過往表現及管理層對市場發展之預期釐定。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

19. INTEREST IN AN ASSOCIATE

19. 於一家聯營公司之權益

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Cost of unlisted investment in associate	於聯營公司非上市投資之成本	-	942
Share of post-acquisition profits, net of dividends received	應佔收購後溢利，扣除已收股利	-	(569)
		<u>-</u>	<u>373</u>

As at 31 December 2006, the Group had interest in the following associate, which is an unlisted corporate entity and was disposed of during the year ended 31 December 2007.

於二零零六年十二月三十一日，本集團擁有下列非上市企業實體之聯營公司的權益，該權益已於截至二零零七年十二月三十一日止年度內售出。

Name of entity	Form of business structure	Place of registration and operation	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by the Group	Principal activity
實體名稱	業務結構模式	經營地點	登記及註冊資本	已發行及繳足資本面值比例	本集團所持有註冊主要業務
Shanghai Rui Mei Medical and Health-care Company Limited	Registered	PRC	RMB5,000,000	20%	Provision of health care services
上海瑞美醫療保健有限公司	已登記	中國	人民幣5,000,000元	20%	提供健康護理服務

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

19. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Total assets	總資產	-	3,433
Total liabilities	總負債	-	(1,568)
Net assets	淨資產	-	1,865
Group's share of net assets of associate	本集團應佔聯營公司淨資產	-	373
Revenue	收入	2,332	5,846
Loss for the period/year	本期間/年度虧損	(2,667)	(860)
Group's share of loss of associate for the period/year	本期間/年度本集團應佔聯營公司虧損	(373)	(172)

19. 於一家聯營公司之權益(續)

本集團聯營公司之財務資料概述如下：

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Cost of unlisted investments in a jointly controlled entity	於一家共同控制實體非上市投資之成本	-	358
Share of post-acquisition profits, net of dividends received	應佔收購後溢利，扣除已收股利	-	(5)
		-	353

20. 於一家共同控制實體之權益

As at 31 December 2006, the Group had interests in the following jointly controlled entity, which is an unlisted corporate entity. During the year, the Group acquired an additional 1% interest and become a subsidiary of the Group from 15 August 2007 (note 32).

於二零零六年十二月三十一日，本集團於以下屬非上市企業實體之共同控制實體擁有權益。年內，本集團收購額外1%權益，致使該共同控制實體自二零零七年八月十五日起成為本集團附屬公司(附註32)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

(Continued)

Name of entity	Form of business structure	Place of registration and operation	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by the Group	Principal activity
實體名稱	業務結構模式	登記及經營地點	已發行及繳足註冊資本	本集團所持有註冊資本面值比例	主要業務
瑞昇醫學美容科技企業股份有限公司	Registered 已登記	Taiwan 台灣	NT\$3,000,000 新台幣3,000,000元	50%	Provision of health care services 提供健康護理服務

The summarised financial information in respect of the Group's jointly controlled entity which are accounted for using the equity method is set out below:

有關以權益法列賬之本集團共同控制實體之財務資料概述如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Current assets	流動資產	—	353
Current liabilities	流動負債	—	—
Income	收益	315	2
Expenses	開支	(228)	(7)

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2007 comprise:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Unlisted equity securities, at cost	非上市股本證券，按成本	9,126	6,786

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in British Virgin Islands and Cayman Islands which engaged in investment holding and online health consultancy service respectively. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be reliably measured.

20. 於一家共同控制實體之權益(續)

21. 可供出售投資

於二零零七年十二月三十一日之可供出售投資包括：

上述非上市投資指於英屬維爾京群島及開曼群島註冊成立，分別從事投資控股及網上健康顧問服務之私人實體所發行非上市股本證券的投資。由於該等非上市投資的估計合理公平價值幅度甚大，本公司董事認為不能可靠量度公平值，故此該等非上市投資於各結算日按成本扣除減值計量。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

22. INVENTORIES

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Raw materials	原材料	35,735	29,340
Work in progress	在產品	2,354	2,676
Finished goods	產成品	32,928	31,557
		<u>71,017</u>	<u>63,573</u>

22. 存貨

23. TRADE AND OTHER RECEIVABLES

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Trade receivables	貿易應收賬款	59,351	85,990
Prepayments and deposits	預付款項及押金	14,064	20,446
Financial refunds receivable	應收財務退款	9,834	26,858
Other receivables	其他應收賬款	15,722	31,611
Total trade and other receivables	貿易及其他應收賬款總額	<u>98,971</u>	<u>164,905</u>

23. 貿易及其他應收賬款

The Group allows a credit period ranging from one to six months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

本集團給予其貿易客戶一至六個月之信貸期。於結算日之貿易應收賬款賬齡分析如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within 180 days	180日內	44,874	73,836
181 days to 365 days	181日至365日	5,096	8,937
1 to 2 years	1至2年	7,391	2,944
Over 2 years	2年以上	1,990	273
		<u>59,351</u>	<u>85,990</u>

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

23. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group uses an internal credit system to assess the potential customer's credit quality and defines credit limits by customer. Limits to customers are reviewed twice a year. 76% of the trade receivables that are neither past due nor impaired have the best credit attributable under the system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$14,477,000 (2006: HK\$12,154,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Other than for those entrustment fees receivables below, the Group does not hold any collateral over these balances. The average age of these receivables is within 180 days (2006: within 180 days).

Aging of trade receivables which are past due but not impaired:

181 day to 365 day	181至365日
1 to 2 years	1至2年
Over 2 years	2年以上

Since 2002, certain subsidiaries have entered into Assets Entrustment Agreements with various operators. Pursuant to these agreements, these subsidiaries and the operators agreed for the latter to manage and operate the same business (the "Entrusted Assets") as the subsidiaries, including the provision of spa and beauty services, the sale of beauty and skin care product, the provision of beauty training courses and the provision of assistance by the subsidiary to the operators in the development of the franchise network. The appointments are effective for period ranging from one to five years and the operators are required to pay the subsidiaries an entrustment fee which is determined with reference to the net asset value of the respective subsidiaries at the date of the agreement. The operators are entitled to retain any profits and are obligated to bear any losses, excluding the depreciation of property, plant and equipment, arising from the operation of the Entrusted Assets under the operators' management and operation. The subsidiaries retain the title to the property, plant and equipment. As security for the operators' obligations under the agreement, the operators are required to place a security, including properties with a fair value of approximately HK\$2,830,000 with the subsidiaries. The Group is not permitted to repledge the collateral in the absence of default by the operators.

23. 貿易及其他應收賬款(續)

接受任何新客戶前，本集團採用內部信貸制度，評估潛在客戶之信貸質素及按客戶釐定信貸額。客戶信貸額每年檢討兩次。根據本集團採用之信貸制度，76%貿易應收賬款未逾期及並未減值，信貸情況最高。

計入本集團之貿易應收賬款結餘為於申報日期已逾期而本集團並無計提減值虧損之應收賬款賬面值合共14,477,000港元(二零零六年：12,154,000港元)。除以下該等應收委託經營費用外，本集團並無就該等結餘持有任何抵押。該等應收賬款之平均賬齡為180日(二零零六年：180日)。

已逾期但未減值之貿易應收賬款之賬齡：

2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
5,096	8,937
7,391	2,944
1,990	273
14,477	12,154

自二零零二年起，若干附屬公司與多家經營者訂立資產委託經營協議。根據該等協議，該等附屬公司及經營者同意後者管理及經營相同業務(「受託管資產」)，作為附屬公司，涵蓋提供spa及美容服務、銷售美容及護膚產品、提供美容培訓課程及附屬公司協助經營者開發加盟經營網絡。經營者任期為一至五年，每年須向附屬公司支付一筆參考各附屬公司於協議日期淨資產釐訂之委託經營費用。經營者有權保留其於管理及經營期間自經營受託管資產產生的任何溢利，並須承擔其於管理及經營期間自受託管資產產生的任何虧損，惟不包括不動產、廠場及設備折舊。附屬公司保留不動產、廠場及設備之擁有權。根據該協議，經營者須向附屬公司繳交一筆保證金，包括公平值約2,830,000港元之物業，以保證其履行協議項下責任。在經營者並無違約的情況下，本集團不獲准再抵押有關抵押品。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

23. TRADE AND OTHER RECEIVABLES (Continued)

The impact of the assets entrustment agreements on the consolidated financial statements are summarised as follows:

	受託管廠場及設備賬面值
Carrying values of plant and equipment entrusted	
Entrustment fee income for the year	年內委託經營收益

At the balance sheet date, the following outstanding balances arising from the assets entrustment agreements with operators are included as other receivables in the balance sheet:

	應收委託經營費用 向經營者出售資產應收 代價(廠場及設備除外)
Entrustment fees receivable	
Consideration receivable for sale of assets (other than plant and machinery) to the operators	

Movement in the allowance for doubtful debts

	年初結餘
Balance at beginning of the year	
Impairment losses recognised on receivables	於應收賬款確認之減值虧損
Amounts written off as uncollectible	不可收回賬款之已撇銷金額
Amounts recovered during the year	年內已收回金額
Balance at end of the year	年終結餘

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$1,767,000 (2006: HK\$2,300,000), which have been identified with financial difficulties. The Group does not hold any collateral over these balances.

23. 貿易及其他應收賬款(續)

資產委託經營協議對綜合財務報表之影響概述如下：

	二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元
Carrying values of plant and equipment entrusted	1,798	3,363
Entrustment fee income for the year	2,817	4,704

於結算日，以下自經營者的資產委託經營協議產生之未收訖餘額，於資產負債表列作其他應收賬款：

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Entrustment fees receivable	3,686	13,203
Consideration receivable for sale of assets (other than plant and machinery) to the operators	1,990	2,969
	5,676	16,172

呆賬撥備變動

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Balance at beginning of the year	2,300	2,522
Impairment losses recognised on receivables	3,502	1,531
Amounts written off as uncollectible	(2,718)	(1,462)
Amounts recovered during the year	(1,317)	(291)
Balance at end of the year	1,767	2,300

呆賬撥備中包括個別減值且發現有財政困難之應收賬款結餘共1,767,000港元(二零零六年：2,300,000港元)，本集團並無就該等結餘持有任何抵押品。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

24. HELD-FOR-TRADING INVESTMENTS

Listed equity securities outside Hong Kong	香港以外之上市股本證券
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The fair values of the above held for trading investments are determined based on the bid prices quoted in the over-the-counter market.

25. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximate their fair value. The amounts bear interest which ranged from 0.18% to 5.27% per annum (2006: 0.33% to 5.23% per annum).

At 31 December 2007, the Group's bank deposits of US\$16,008,000 (equivalent to approximately HK\$124,940,000) (2006: HK\$37,329,000) was denominated in a currency other than the functional currency of the relevant group entity.

26. TRADE AND OTHER PAYABLES

Trade payables	貿易應付賬款
Deposits from customers	客戶押金
Other tax payables	其他應付稅項
Other payables	其他應付賬款
Total trade and other payables	貿易及其他應付賬款總額

24. 持作買賣投資

2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
-	27,713

上述持作買賣投資之公平值乃按場外證券市場所報之買入價釐定。

25. 銀行結存及現金

銀行結存及現金包括本集團所持現金及原到期日三個月或以內之短期銀行存款。該等資產賬面值與其公平值相若。該等款額按年利率0.18厘至5.27厘計息(二零零六年: 年利率0.33厘至5.23厘)。

於二零零七年十二月三十一日, 本集團銀行存款為16,008,000美元(相當於約124,940,000港元; 二零零六年: 37,329,000港元), 乃按相關集團實體功能貨幣以外之貨幣計算。

26. 貿易及其他應付賬款

2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
21,813	16,607
25,389	20,896
12,743	8,618
30,363	24,077
90,308	70,198

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

26. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables at the balance sheet date:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within 180 days	180日內	21,795	15,347
181 days to 365 days	181日至365日	-	16
1 to 2 years	1至2年	2	607
Over 2 years	2年以上	16	637
		<u>21,813</u>	<u>16,607</u>

27. DEFERRED INCOME

Prepaid treatment fees 預付療程費

Deferred income represents the receipts via credit cards, cheques and cash from sales of beauty services to customers and recognised in the consolidated income statement upon provision of the services to the customers.

28. RETIREMENT BENEFITS PLANS

(a) Defined benefit plan

The Group's Taiwan subsidiaries participate in a central pension scheme providing benefits to all employees in accordance with the Labour Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned. The Group currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. Under the schemes, the employees are entitled to retirement benefits equals to two months' salary for each year of service for the first 15 years and one month's salary for each year of service following the 15 years, but not more than 45 months' salary in aggregate on the attainment age of 60. No other post-retirement benefits are provided.

26. 貿易及其他應付賬款(續)

於結算日之貿易應付賬款賬齡分析如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within 180 days	180日內	21,795	15,347
181 days to 365 days	181日至365日	-	16
1 to 2 years	1至2年	2	607
Over 2 years	2年以上	16	637
		<u>21,813</u>	<u>16,607</u>

27. 遞延收益

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Prepaid treatment fees	預付療程費	<u>9,763</u>	<u>9,336</u>

遞延收益指向客戶銷售美容服務而透過信用卡、支票及現金收取之款項，並於向客戶提供服務時在綜合收益表確認。

28. 退休福利計劃

(a) 定額福利計劃

本集團台灣附屬公司根據台灣勞動基準法(經修訂)參加中央退休金計劃，向全體僱員提供福利。本集團有責任保證計劃有充裕資金支付僱員應獲得之福利。本集團現按有關政府當局釐定及批准薪金總額2%作出供款。根據計劃，僱員就首15個服務年度每年享有相等於兩個月薪酬之退休福利，繼該15個服務年度後之每個年度則為一個月薪酬，惟到達60歲時合共不得超過45個月薪金。本集團並無提供其他退休後福利。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

28. RETIREMENT BENEFITS PLANS (Continued)

(a) Defined benefit plan (Continued)

The Group's net obligation in respect of the pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. An actuarial valuation as at 31 December 2007 and 2006 was carried out by a qualified staff member of PricewaterhouseCoopers Taiwan, who is a member of the Taiwan Enrolled Pension Actuary. The actuarial valuation indicates that the Group's obligations under this defined benefit retirement scheme are 15% (2006: 18%) covered by the deposits paid with the Central Trust of China, a government institution.

- (i) The principal assumptions used for the purposes of the actuarial valuations were as follows:

		2007 二零零七年	2006 二零零六年
Discount rate	折讓率	3.50%	3.75%
Expected return on plan assets	計劃資產預期回報率	2.75%	2.75%
Expected rate of salary increases	預期薪金增加幅度	2.50%	2.50%

The actuarial valuation showed that the market value of plan assets was HK\$1,282,000 (2006: HK\$1,965,000).

- (ii) Amounts recognised in profit or loss in respect of the defined benefit plans are as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Current service cost	現時服務成本	446	517
Interest on obligation	利息成本	478	482
Expected return on plan assets	計劃資產預期回報率	(54)	(66)
		870	933

28. 退休福利計劃(續)

(a) 定額福利計劃(續)

本集團就退休金計劃承擔之債務淨額，乃按僱員現時及過往期間就提供服務應獲得之日後福利預計金額計算，有關福利會折算以釐訂現值，而任何計劃資產之公平值則會被扣減。有關計算由合資格精算師採用預計單位給付成本法計算。於二零零七年及二零零六年十二月三十一日之精算估值由資誠會計師事務所之合資格員工進行，彼為Taiwan Enrolled Pension Actuary之會員。精算估值顯示，本集團於定額福利退休計劃項下債務為15% (二零零六年：18%)，由已付政府機構中央信託局之押金填補。

- (i) 所採用主要精算估值假設如下：

精算估值顯示計劃資產市值為1,282,000港元(二零零六年：1,965,000港元)。

- (ii) 於損益表就定額福利計劃確認之金額如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

28. RETIREMENT BENEFITS PLANS (Continued)

(a) Defined benefit plan (Continued)

- (iii) The amounts included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans are as follows:

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Present value of funded defined benefit obligations 已撥資金定額福利債務現值	13,757	12,827
Fair value of plan assets 計劃資產公平值	(1,282)	(1,965)
Net unrecognised actuarial (losses) gains 未確認精算(虧損)收益淨額	(576)	455
Net liability arising from defined benefit obligation 定額福利債務產生之負債淨額	11,899	11,317

- (iv) Movements in the present value of the defined benefit obligations in the current year were as follows:

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1 January 於一月一日	12,827	12,686
Current service cost 現時服務成本	446	517
Interest on obligation 債務利息	478	482
Benefits paid 已付福利	(1,105)	(907)
Actuarial (losses) gains 精算(虧損)收益	1,031	(130)
Exchange differences on foreign plans 海外計劃匯兌差額	80	179
At 31 December 於十二月三十一日	13,757	12,827

28. 退休福利計劃(續)

(a) 定額福利計劃(續)

- (iii) 本集團就定額福利計劃所產生債務金額已計入綜合資產負債表，載列如下：

- (iv) 於本年度之定額福利債務現值變動如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

28. RETIREMENT BENEFITS PLANS (Continued)

(a) Defined benefit plan (Continued)

(v) Movements in the fair value of the plan assets in the current year were as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1 January	於一月一日	1,965	2,366
Contributions from the employer	僱主供款	356	425
Expected return on plan assets	計劃資產預期回報率	54	66
Benefits paid	已付福利	(1,105)	(907)
Actuarial losses	精算虧損	8	(15)
Exchange differences on foreign plans	海外計劃匯兌差額	4	30
At 31 December	於十二月三十一日	<u>1,282</u>	<u>1,965</u>

(vi) The major categories of plan assets, and the percentage of the fair value at the balance sheet date for each category are as follows:

		2007 二零零七年 %	2006 二零零六年 %
Deposits with financial institutions	付予財務機構之押金	39.58	44.73
Short term bills	短期票據	11.61	20.43
Stocks	股份	11.17	16.66
Bonds	債券	12.20	10.05
Others	其他	25.44	8.13
		<u>100.00</u>	<u>100.00</u>

28. 退休福利計劃(續)

(a) 定額福利計劃(續)

(v) 於本年度之計劃資產公平值變動如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1 January	於一月一日	1,965	2,366
Contributions from the employer	僱主供款	356	425
Expected return on plan assets	計劃資產預期回報率	54	66
Benefits paid	已付福利	(1,105)	(907)
Actuarial losses	精算虧損	8	(15)
Exchange differences on foreign plans	海外計劃匯兌差額	4	30
At 31 December	於十二月三十一日	<u>1,282</u>	<u>1,965</u>

(vi) 計劃資產之主要類別以及各類別於結算日之公平值百分比如下：

		2007 二零零七年 %	2006 二零零六年 %
Deposits with financial institutions	付予財務機構之押金	39.58	44.73
Short term bills	短期票據	11.61	20.43
Stocks	股份	11.17	16.66
Bonds	債券	12.20	10.05
Others	其他	25.44	8.13
		<u>100.00</u>	<u>100.00</u>

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

28. RETIREMENT BENEFITS PLANS (Continued)

(b) Defined contribution plans

- (i) The Group operates a Mandatory Provident Fund Scheme (“the HK MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and Mandatory Provident Fund Scheme under the Labour Standards Law (as amended) in Taiwan (the “TW MPF Scheme”). The HK MPF scheme and TW MPF Scheme are defined contribution retirement scheme administered by independent trustees. Under the HK MPF scheme and TW MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% and 6%, respectively, of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000 for HK MPF Scheme while there is no cap to monthly income under TW MPF Scheme. Contributions to the scheme vest immediately.
- (ii) The employees of the Group’s subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the PRC government. As stipulated by the regulations of the PRC, these relevant subsidiaries participate in various defined contribution retirement plans organised by the relevant authorities for its PRC employees. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liabilities to these retired staff. The Group is required to make contributions to the retirement plans which are calculated based on certain prescribed rates and the salaries, bonuses and certain allowances of its PRC employees. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The total cost charged to income of HK\$7,968,000 (2006: HK\$6,106,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

28. 退休福利計劃(續)

(b) 定額供款計劃

- (i) 本集團根據香港強制性公積金計劃條例為於香港僱傭條例管轄範圍內聘用之僱員設立強制性公積金計劃(「香港強積金計劃」)，另根據台灣勞動基準法(經修訂)設立強制性公積金計劃(「台灣強積金計劃」)。香港強積金計劃及台灣強積金計劃為由獨立信託人管理之定額供款退休計劃。根據香港強積金計劃及台灣強積金計劃，僱主及僱員各自須向計劃分別作出相當於僱員有關收入5%及6%之供款，香港強積金計劃之每月有關收入上限為20,000港元，而台灣強積金計劃則並無每月收入上限。計劃供款即時撥歸僱員所有。
- (ii) 本集團中國附屬公司僱員為中國政府管理之國家管理退休福利計劃成員。有關附屬公司已根據中國法規規定，為其中國僱員參加各個由有關當局統籌之定額供款退休計劃。僱員有權根據有關政府法規，按彼等於退休時之基本薪金以及服務年期收取退休金。中國政府負責向該等退休員工發放退休金，而本集團須按若干指定比率及其中國僱員之薪金、花紅與若干津貼向退休計劃供款。除上述之年度供款外，本集團並無與該等計劃有關之其他退休福利付款重大責任。

計入收益之總成本為7,968,000港元(二零零六年：6,106,000港元)，乃本集團就現行會計期間應付該等計劃之供款。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

29. SHARE CAPITAL

		Number of shares 股份數目	Amount 金額 HK\$'000 千港元
Ordinary shares of HK\$0.1 each	每股面值0.1港元之普通股		
Authorised:	法定股本：		
At 1 January 2006,	於二零零六年一月一日、		
31 December 2006 and	二零零六年十二月三十一日及		
31 December 2007	二零零七年十二月三十一日	4,000,000,000	400,000
Issued and fully paid:	已發行及繳足：		
At 1 January 2006,	於二零零六年一月一日、		
31 December 2006 and	二零零六年十二月三十一日及		
31 December 2007	二零零七年十二月三十一日	2,000,000,000	200,000

30. SHARE OPTION SCHEME

Pursuant to the written resolution passed by the shareholders on 11 March 2002. The Company has adopted a share option scheme (The "Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the 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. Options granted must be taken up within 28 days of the date of grant. The Scheme with 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 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.

29. 股本

30. 認股權計劃

根據股東於二零零二年三月十一日通過之書面決議案，本公司已採納一項認股權計劃（「認股權計劃」），旨在為董事及合資格僱員提供獎勵。根據認股權計劃，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。所授出認股權必須於授出日期起計28日內接納。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各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平均收市價。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

30. SHARE OPTION SCHEME (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 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.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,278,861 (2006: nil), representing 0.06% (2006: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in the 12-month period up to and including the date of such grant in excess of 0.1% of the Company's share capital in issue or with an aggregate value in excess of HK\$5 million based on the closing price of the shares at the date of each grant must be approved in advance by the Company's shareholders.

There was no option granted to substantial shareholders, executive directors or independent non-executive directors during the year.

30. 認股權計劃(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更新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。

根據認股權計劃及本公司或附屬公司任何其他計劃於已授出但有待行使之尚未行使認股權獲行使時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有關類別證券的30%。如超逾限額，則不得根據本公司或附屬公司的任何計劃授出認股權。

於二零零七年十二月三十一日，根據認股權計劃已授出但仍然尚未行使認股權之相關股份數目為1,278,861股(二零零六年：無)，相當於本公司當日已發行股份0.06%(二零零六年：無)。未經本公司股東事先批准前，根據認股權計劃可能授出認股權之相關股份數目，不得超出本公司任何時間已發行股份10%。未經本公司股東事先批准前，於任何一年內已授予及可能授予任何人士認股權之已發行及將予發行之相關股份數目，不得超出本公司任何時間已發行股份1%。向主要股東或獨立非執行董事於截至授出當日止十二個月期間內授出之認股權超出本公司已發行股本0.1%或根據授出當日之股份收市價計算之認股權總值多於5,000,000港元，須事先獲本公司股東批准。

本公司於年內並無向主要股東、執行董事或獨立非執行董事授出任何認股權。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

30. SHARE OPTION SCHEME (Continued)

The following table discloses movements of the Company's share options held by employees during the year:

Option type 認股權類別	Date of grant 授出日期	Exercisable period 行使期	Exercise price 行使價	Outstanding at beginning of year 於年初尚未行使	Granted during year 於年內授出	Exercised during year 於年內行使	Forfeited during year 於年內沒收	Expire during year 於年內屆滿	Outstanding at end of year 於年終 尚未行使
2007 Type I 二零零七年第一類	27 July 2007 二零零七年 七月二十七日	1 July 2008 to 26 July 2017 二零零八年 七月一日至 二零一七年 七月二十六日	1.76	-	864,771	-	(225,341)	-	639,430
2007 Type II 二零零七年第二類	27 July 2007 二零零七年 七月二十七日	1 July 2009 to 26 July 2017 二零零九年 七月一日至 二零一七年 七月二十六日	1.76	-	518,863	-	(135,204)	-	383,659
2007 Type III 二零零七年第三類	27 July 2007 二零零七年 七月二十七日	1 July 2010 to 26 July 2017 二零一零年 七月一日 至二零一七年 七月二十六日	1.76	-	345,908	-	(90,136)	-	255,772
				-	1,729,542	-	(450,681)	-	1,278,861

On 27 July 2007, the Group granted options to certain employees to subscribe for a maximum of 1,729,542 shares and will be vested on a ratio of 50%, 30% and 20% over a three year period subject to the grantees achieving certain performance targets.

During the year ended 31 December 2007, options were granted on 27 July 2007. The estimated fair values of the options granted on that date were HK\$673,000.

30. 認股權計劃(續)

下表披露由僱員於年內持有之本公司認股權變動：

於二零零七年七月二十七日，由本集團向若干僱員授出購股權，可於承授人達致若干目標表現時認購最多1,729,542股股份，並將於三年內按50%、30%及20%比率歸屬。

截至二零零七年十二月三十一日止年度，認股權於二零零七年七月二十七日授出。當日所授出認股權之公平值估計為673,000港元。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

30. SHARE OPTION SCHEME (Continued)

These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

		Option type 認股權類別		
		2007 Type I	2007 Type II	2007 Type III
		二零零七年 第一類	二零零七年 第二類	二零零七年 第三類
Vest date	歸屬期	01/07/2008 二零零八年 七月一日	01/07/2009 二零零九年 七月一日	01/07/2010 二零一零年 七月一日
Grant date share price	授出日期股價	HK\$1.76 1.76港元	HK\$1.76 1.76港元	HK\$1.76 1.76港元
Exercise price	行使價	HK\$1.76 1.76港元	HK\$1.76 1.76港元	HK\$1.76 1.76港元
Expected volatility	預計波幅	39.88%	39.88%	39.88%
Expected life	預計年期	3 years 三年	4 years 四年	5 years 五年
Expected dividend yield	預計股利率	5.91% 5.91厘	5.91% 5.91厘	5.91% 5.91厘
Risk-free interest rate	無風險利率	4.17% 4.17厘	4.28% 4.28厘	4.38% 4.38厘

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognized the total expense of approximately HK\$138,000 for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 26% of options granted prior to completion of vesting period and accordingly the share option expenses has been adjusted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in the profit and loss over the remaining vest period, with a corresponding adjustment to the share options reserve.

The Black-Scholes Options Pricing Model has been used to estimate the fair value of the options. The valuables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of the option varies with different variables of certain subjective assumptions.

30. 認股權計劃(續)

此等公平值乃採用柏力克-舒爾斯期權定價模式計算。該模式輸入之數據如下：

		Option type 認股權類別		
		2007 Type II	2007 Type III	2007 Type III
		二零零七年 第二類	二零零七年 第三類	二零零七年 第三類
Vest date	歸屬期	01/07/2009 二零零九年 七月一日	01/07/2010 二零一零年 七月一日	01/07/2010 二零一零年 七月一日
Grant date share price	授出日期股價	HK\$1.76 1.76港元	HK\$1.76 1.76港元	HK\$1.76 1.76港元
Exercise price	行使價	HK\$1.76 1.76港元	HK\$1.76 1.76港元	HK\$1.76 1.76港元
Expected volatility	預計波幅	39.88%	39.88%	39.88%
Expected life	預計年期	4 years 四年	5 years 五年	5 years 五年
Expected dividend yield	預計股利率	5.91% 5.91厘	5.91% 5.91厘	5.91% 5.91厘
Risk-free interest rate	無風險利率	4.28% 4.28厘	4.38% 4.38厘	4.38% 4.38厘

預計波幅乃採用本公司股價於過往年度之歷史波幅釐定。所採用模式之預計年期已根據管理層對不可轉讓、行使限制及行為模式考慮因素影響之最佳估計調整。

截至二零零七年十二月三十一日止年度，本集團已確認有關本公司授出之認股權開支總額約138,000港元(二零零六年：無)。

預計歸屬已授出認股權數目已減少，以反映過往於歸屬期完結前沒收26%授出認股權，認股權開支已因而調整。於各結算日，本集團修訂其對預期最終歸屬之認股權數目之估計。歸屬期間修訂原有估計之影響(如有)已於餘下歸屬期於損益確認，認股權儲備亦作出相應調整。

柏力克-舒爾斯期權定價模式已用作估計認股權之公平值。用於計算認股權公平值之變數及假設乃根據董事之最佳估計作出。認股權價值因若干主觀假設之不同變數而各有不同。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

31. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised in the balance sheet and movements thereon during the current or prior years are as follows:

		Allowance for bad and doubtful debts 呆壞賬撥備 HK\$'000 千港元	Revaluation of properties 重估物業 HK\$'000 千港元	Defined benefit liability 定額福利 責任 HK\$'000 千港元	Unrealised profits on inventories 未變現 存貨溢利 HK\$'000 千港元	Other short-term temporary differences 其他短期 暫時差額 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2006	於二零零六年一月一日	(530)	2,857	(2,726)	(4,678)	361	(4,716)
Exchange realignment	匯兌調整	(7)	40	(39)	(214)	(15)	(235)
Charge (credit) to consolidated income statement	於綜合收益表扣除 (計入)	72	(314)	(190)	(4,033)	(21)	(4,486)
At 31 December 2006	於二零零六年十二月三十一日	(465)	2,583	(2,955)	(8,925)	325	(9,437)
Exchange realignment	匯兌調整	(1)	(24)	(18)	(304)	(9)	(356)
Change in tax rate	稅率變動	-	-	-	617	1	618
Charge (credit) to consolidated income statement	於綜合收益表扣除 (計入)	134	(3,413)	(191)	5,182	(87)	1,625
At 31 December 2007	於二零零七年 十二月三十一日	(332)	(854)	(3,164)	(3,430)	230	(7,550)

At the balance sheet date, the Group has unutilised tax losses of approximately HK\$91,231,000 (2006: HK\$81,305,000) available for offset against future profits. No deferred tax asset has been recognised of such tax losses due to the unpredictability of future profit streams. The Hong Kong tax losses of HK\$38,278,000 (2006: HK\$33,659,000) do not expire under the current tax legislation in Hong Kong and all other tax losses will expire from 2007 to 2010.

31. 遞延稅項

以下為目前或過往年度於資產負債表確認之主要遞延稅項資產及負債以及其變動：

於結算日，本集團有未動用稅項虧損約91,231,000港元(二零零六年：81,305,000港元)可用作抵銷未來溢利。由於未能確定日後溢利來源，因此並無就有關稅項虧損確認遞延稅項資產。根據香港現行稅例，香港稅項虧損38,278,000港元(二零零六年：33,659,000港元)不會到期，而所有其他稅項虧損將於二零零七年至二零一零年到期。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

32. ACQUISITION OF A SUBSIDIARY

On 15 August 2007, the Group acquired an additional 1% interest in 瑞昇醫學美容科技企業有限公司, previously a 50% jointly controlled entity of the Group, at a consideration of approximately HK\$6,000. This acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

		Acquiree's carrying amount before combination (Note)
		合併前收購對象之賬面值(附註)
		HK\$'000
		千港元
Net assets acquired:	購入淨資產：	
Trade and other receivables	貿易及其他應收賬款	1,383
Trade and other payables	貿易及其他應付賬款	(506)
		446
Minority interests	少數股東權益	(431)
Transfer from interest in jointly controlled entity	轉撥自一家共同控制實體之權益	(440)
Total consideration	總代價	6
Net cash outflow arising on acquisition:	收購產生之現金流出淨額：	
Cash consideration paid	已付現金代價	(6)

Note: The carrying amount before combination approximates the fair value.

Had the acquisition been completed on 1 January 2007, total group revenue for the year would have been approximately HK\$450,774,000, and profit for the year would have been approximately HK\$178,948,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

32. 收購一家附屬公司

於二零零七年八月十五日，本集團按代價約6,000港元收購本集團以往佔50%之共同控制實體瑞昇醫學美容科技企業有限公司額外1%權益。收購以收購法入賬。

於該項交易收購之淨資產如下：

	Acquiree's carrying amount before combination (Note)
	合併前收購對象之賬面值(附註)
	HK\$'000
	千港元
Trade and other receivables	1,383
Trade and other payables	(506)
	446
Minority interests	(431)
Transfer from interest in jointly controlled entity	(440)
Total consideration	6
Net cash outflow arising on acquisition:	
Cash consideration paid	(6)

附註： 合併前之賬面值與公平值相若。

倘若收購已於二零零七年一月一日完成，集團年內總收入應約為450,774,000港元，而本年度溢利應約為178,948,000港元。備考資料僅供說明用途，不一定反映倘收購於二零零七年一月一日完成，本集團實際達致之收入及經營業績，亦不擬作未來業績之預測。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

33. OPERATING LEASES

The Group as lessee

During the year, the Group made rental payments for office premises under operating leases as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Minimum lease payments	最低租金付款	15,920	13,850
Contingent rental payments	或然租金付款	2,315	3,947
		18,235	17,797

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	14,807	6,860
In the second year	第二年	11,794	4,769
In the third year	第三年	6,747	3,293
In the fourth year	第四年	2,360	1,648
In the fifth year	第五年	1,511	504
Over five years	超過五年	6,010	-
		43,229	17,074

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated and rentals are fixed for an average term of five years. In addition, the Group's PRC subsidiaries have commitments to make rental payments at a percentage of turnover for certain leased properties.

Furthermore, there is no commitment (2006: HK\$2,172,000) in respect of future minimum lease payments, which fall due within one to over five years, under non-cancellable operating leases entered into by the Group. The business operations at these premises have been entrusted to operators as described in note 23 who are responsible for the payment of the rentals to the respective landlords. New lease agreements will be entered into between the landlords and operators on expiry of the current lease agreements.

33. 經營租約

本集團作為承租人

年內，本集團根據經營租約就租用辦公室物業繳付以下租金：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Minimum lease payments	最低租金付款	15,920	13,850
Contingent rental payments	或然租金付款	2,315	3,947
		18,235	17,797

於結算日，本集團根據不可撤銷經營租約須於下列到期日繳付之日後最低租金承擔如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	14,807	6,860
In the second year	第二年	11,794	4,769
In the third year	第三年	6,747	3,293
In the fourth year	第四年	2,360	1,648
In the fifth year	第五年	1,511	504
Over five years	超過五年	6,010	-
		43,229	17,074

經營租約款項即本集團就若干租賃物業支付之租金。租期經磋商而租金按平均五年租期訂定。此外，本集團中國附屬公司須按若干租賃物業營業額某個百分比支付租金。

此外，根據本集團所訂立於一年內至五年後到期之不可撤銷經營租約，並無就日後最低租金作出任何承擔(二零零六年：2,172,000港元)。誠如附註23所述，該等物業之業務營運已交託經營者，該等經營者須負責向有關業主繳付租金。業主與經營者將於現時租賃協議屆滿時訂立新租賃協議。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

33. OPERATING LEASES (Continued)

The Group as lessor

(i) Property

Property rental income earned during the year was HK\$7,109,000 (2006: HK\$8,399,000), net of outgoings of HK\$423,000 (2006: HK\$486,000). All of the properties held have committed tenants for the next one to five years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	4,547	6,625
In the second year	第二年	1,791	4,145
In the third year	第三年	404	966
In the fourth year	第四年	-	74
		6,742	11,810

(ii) Entrustment arrangement

At the balance sheet date, the Group had contracted with operators for the following future minimum lease payments for the use of the Group's plant and machinery:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	1,802	4,197
In the second year	第二年	1,132	1,401
In the third year	第三年	587	777
In the fourth year	第四年	231	428
In the fifth year	第五年	-	96
		3,752	6,899

33. 經營租約(續)

本集團作為出租人

(i) 不動產

扣除支銷423,000港元(二零零六年: 486,000港元)後, 於年內賺取之物業租金收益為7,109,000港元(二零零六年: 8,399,000港元)。所有持有之不動產有已承諾租戶, 租賃年期介乎一年至五年。

於結算日, 本集團與租戶已訂約之日後最低租金付款如下:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	4,547	6,625
In the second year	第二年	1,791	4,145
In the third year	第三年	404	966
In the fourth year	第四年	-	74
		6,742	11,810

(ii) 委託經營安排

於結算日, 本集團與經營者就使用本集團之廠場及機器已訂約之日後最低租金付款如下:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Within one year	一年內	1,802	4,197
In the second year	第二年	1,132	1,401
In the third year	第三年	587	777
In the fourth year	第四年	231	428
In the fifth year	第五年	-	96
		3,752	6,899

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

34. CAPITAL COMMITMENTS

Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements

就收購不動產、廠場及設備之已訂約但未於綜合財務報表撥備之資本開支

34. 資本承擔

2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
<u>1,545</u>	<u>3,002</u>

35. PLEDGE OF ASSETS

At 31 December 2006, Certain freehold investment properties of the Group with a carrying amount of HK\$157,758,000 are pledged to a bank. The banking facilities granted by the bank were terminated in 2002 and the charge is released upon the disposal of the investment properties during the year ended 31 December 2007.

The Group has no pledge of assets as at 31 December 2007.

35. 資產抵押

於二零零六年十二月三十一日，本集團若干賬面值為157,758,000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已於二零零二年終止，而有關抵押將於截至二零零七年十二月三十一日止年度於出售投資物業時予以解除。

本集團於二零零七年十二月三十一日並無任何已抵押資產。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

36. CONNECTED AND RELATED PARTY DISCLOSURES

During the year, the Group had significant transactions with related parties, some of which are also deemed to be connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with these parties during the year are as follows:

(A) Transactions

(I) Connected Parties

Name of company 公司名稱	Nature of transactions 交易性質	2007 HK\$'000 二零零七年 千港元	2006 HK\$'000 二零零六年 千港元
Companies controlled by the substantial shareholders: 主要股東所控制公司：			
自然美雜誌社	Rental income 租金收益	4	17
財團法人台北市 蔡燕萍文教事業基金會	Rental income 租金收益	1	3
中華民國儀容美協會	Rental income 租金收益	1	3
自然美出版社	Rental income 租金收益	4	14
中澳義國際股份有限公司	Rental income 租金收益	4	14
自然美美容補習班	Rental income 租金收益	-	27
台北市美容技術協會	Rental income 租金收益	1	3
瑞昇醫學美容科技 企業股份有限公司	Rental income 租金收益	4	3
上海自然美生物醫學有限公司	Purchase of natural health food 採購天然健康食品	4,992	2,468
上海自然美製衣有限公司	Purchase of lingerie 採購內衣	125	159
Balance due to at 31 December - trade payables	於十二月三十一日到期之 結餘 - 貿易應付賬款	1,131	518
Director of the Company: 本公司董事：			
Su Chien Cheng 蘇建誠	Rental expenses 租金支出	199	200

36. 關連及有關連人士交易

年內，本集團曾與有關連人士進行重大交易，其中部分人士根據聯交所證券上市規則被視作關連人士。年內與該等人士進行之重大交易如下：

(A) 交易

(I) 關連人士

	2007 HK\$'000 二零零七年 千港元	2006 HK\$'000 二零零六年 千港元
Companies controlled by the substantial shareholders: 主要股東所控制公司：		
自然美雜誌社	4	17
財團法人台北市 蔡燕萍文教事業基金會	1	3
中華民國儀容美協會	1	3
自然美出版社	4	14
中澳義國際股份有限公司	4	14
自然美美容補習班	-	27
台北市美容技術協會	1	3
瑞昇醫學美容科技 企業股份有限公司	4	3
上海自然美生物醫學有限公司	4,992	2,468
上海自然美製衣有限公司	125	159
Balance due to at 31 December - trade payables	1,131	518
Director of the Company: 本公司董事：		
Su Chien Cheng 蘇建誠	199	200

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

36. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

(A) Transactions

(II) Related parties, other than connected parties

Name of company 公司名稱	Nature of transactions 交易性質	2007 HK\$'000 二零零七年 千港元	2006 HK\$'000 二零零六年 千港元
Associate: 聯營公司：			
上海瑞美醫療保健有限公司	Rental income 租金收益	-	853

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Short-term benefits	短期福利	9,316	5,428
Post-employment benefits	退休福利	172	111
Share-based payments	股份付款	98	-
		9,586	5,539

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. 關連及有關連人士交易(續)

(A) 交易

(ii) 關連人士以外有關連人士

	2007 HK\$'000 二零零七年 千港元	2006 HK\$'000 二零零六年 千港元
Associate: 聯營公司：		
上海瑞美醫療保健有限公司	-	853

(iii) 主要管理人員之酬金

董事及主要管理層其他成員於年內之酬金如下：

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Short-term benefits	9,316	5,428
Post-employment benefits	172	111
Share-based payments	98	-
	9,586	5,539

董事及主要行政人員之薪酬乃參考個別表現及市場趨勢後經薪酬委員會釐定。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

36. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

(B) Other arrangements

- (i) Under a licensing agreement, a director of the Company granted to Natural Beauty Cosmetics Company Limited (“NB Taiwan”), a subsidiary incorporated and operated in Taiwan, a license to use a skin test software from 1 January 1997 to 31 December 2011 for a nominal consideration of NT\$1.
- (ii) On 5 October 2001, NB Taiwan entered into two separate licensing agreements with two directors of the Company. Under the agreements, the directors agreed to license a number of trademarks to NB Taiwan, on an exclusive basis, for a nominal consideration of NT\$1. The licensing agreements will be effective till the expiry of the registration of the respective trademarks.
- (iii) On 3 May 2006, Shanghai Natural Beauty Cosmetics Company Limited (“NB Shanghai”), a wholly owned subsidiary, entered into a sale and purchase agreement with Chong Ming County Sanlian Investment Development Company Limited, a substantial shareholder of a subsidiary of the Company, to acquire the remaining 10% equity interests in NB Sanlian not already held by NB Shanghai, for a consideration of RMB800,000 (equivalent to approximately HK\$775,000).

36. 關連及有關連人士交易(續)

(B) 其他安排

- (i) 根據許可權協議，本公司董事以象徵式代價新台幣1元，向於台灣註冊成立及營運之附屬公司自然美化粧品股份有限公司(「自然美台灣」)授出可自一九九七年一月一日至二零一一年十二月三十一日期間使用皮膚檢查軟件之許可權。
- (ii) 於二零零一年十月五日，自然美台灣與本公司兩名董事訂立兩份獨立許可權協議。根據該等協議，董事同意以象徵式代價新台幣1元，按獨家基準向自然美台灣授出若干商標之許可權。許可權協議於各商標之註冊屆滿前仍然有效。
- (iii) 於二零零六年五月三日，全資附屬公司上海自然美化粧品有限公司(「自然美上海」)與本公司一家附屬公司之主要股東崇明縣三聯投資發展公司訂立買賣協議，收購並未由自然美上海持有之自然美三聯餘下10%股本權益，代價為人民幣800,000元(相當於約775,000港元)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

37. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company, as at 31 December 2007, is as follows:

37. 本公司之資產負債表

於二零零七年十二月三十一日，本公司之資產負債表如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Non-current assets	非流動資產		
Interests in subsidiaries	於附屬公司之權益	564,302	621,157
Available-for-sale investments	可供出售投資	9,126	6,786
		<u>573,428</u>	<u>627,943</u>
Current assets	流動資產		
Other receivables	其他應收賬款	2,989	6,260
Bank balances and cash	銀行結存及現金	93,406	33,457
		<u>96,395</u>	<u>39,717</u>
Current liabilities	流動負債		
Other payables	其他應付賬款	5,941	4,055
Net current assets	流動資產淨值	<u>90,454</u>	<u>35,662</u>
Total assets less current liabilities	總資產減流動負債	<u>663,882</u>	<u>663,605</u>
Capital and reserves	股本及儲備		
Share capital	股本	200,000	200,000
Reserves (note)	儲備 (附註)	463,882	463,605
		<u>663,882</u>	<u>663,605</u>

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

37. BALANCE SHEET OF THE COMPANY (Continued)

Note:

		Share premium 股份溢價 HK\$'000 千港元	Share option reserve 認股權儲備 HK\$'000 千港元	Retained profits 保留溢利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2006	於二零零六年一月一日	336,758	–	55,075	391,833
Dividend paid	已派股利	–	–	(80,000)	(80,000)
Profit for the year and total recognised income for the year	年內溢利及年內 已確認收益總額	–	–	151,772	151,772
At 31 December 2006	於二零零六年 十二月三十一日	336,758	–	126,847	463,605
Profit for the year and total recognised income for the year	年內溢利及年內 已確認收益總額	–	–	185,176	185,176
Dividend paid	已派股利	–	–	(185,000)	(185,000)
Recognition of share-based payments	確認股份付款	–	138	–	138
Forfeiture of share options	沒收認股權	–	(37)	–	(37)
At 31 December 2007	於二零零七年 十二月三十一日	336,758	101	127,023	463,882

37. 本公司之資產負債表(續)

附註：

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs or issue of new debt.

38. 資本風險管理

本集團管理資本，以確保本集團旗下實體將可持續發展，並透過完善債務及股本結餘獲取最大股東回報。本集團之整體策略與去年相同。

本集團資本結構包括現金及現金等價物以及本公司股東應佔權益，包括已發行股本、儲備及保留盈利。

本公司董事按半年度基準審閱資本結構。作為審閱其中一環，董事會考慮資金成本及各類資本相關之風險。根據董事之建議，本集團將透過派付股利、發行新股份及購回股份或發行新債務之方式，平衡其整體資本結構。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

39. FINANCIAL INSTRUMENTS

39a. Categories of financial instruments

Financial assets

Fair value through profit or loss (FVTPL)

Held for trading

Loans and receivables (including cash and cash equivalents)

Available-for-sale financial assets

Financial liabilities

Amortised cost

金融資產

按公平值計入損益

持作買賣

貸款及應收賬款 (包括現金及現金等價物)

可供出售金融資產

金融負債

攤銷成本

39. 金融工具

39a. 金融工具類別

	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
--	----------------------------------	----------------------------------

	2007	2006
	二零零七年	二零零六年
	HK\$'000	HK\$'000
	千港元	千港元
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	-	27,713
Loans and receivables (including cash and cash equivalents)	673,648	500,702
Available-for-sale financial assets	9,126	6,786
Financial liabilities		
Amortised cost	52,176	40,684

39b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and receivables, bank balances and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to short-term bank deposits. The Directors consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank deposits are within short maturity periods.

The Group is also exposed to cash flow interest rate risk on the bank balances.

39b. 財務風險管理目標及政策

本集團主要金融工具包括股本投資、貿易及應收賬款、銀行結存及貿易應付賬款。此等金融工具之詳情於有關附註披露。與此等金融工具有關之風險及減低相關風險之政策載於下文。管理層管理及監控該等風險，確保及時有效採取適當措施。

市場風險

(i) 利率風險

本集團之公平值利率風險主要與短期銀行存款有關。董事認為，本集團之短期銀行存款利率風險並不重大，原因為計息銀行結存之到期日為短。

本集團之現金流量利率風險來自銀行存款。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

39. FINANCIAL INSTRUMENTS (Continued)

39b. Financial risk management objectives and policies

(Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the bank balances at the balance sheet date. For bank balances, the analysis is prepared assuming the amount of balances at the balance sheet date was held the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by HK\$338,000 (2006: increase/decrease by HK\$21,600). This is mainly attributable to the Group's exposure to interest rates on its bank balances.

(ii) Currency risk

The Group has bank deposits denominated in foreign currency which expose the Group to foreign currency risk.

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Management considers that Group does not expose to significant foreign currency risk as majority of its transactions are either denominated in functional currency of the Group's subsidiaries or in USD. Since USD is pegged to HKD, relevant foreign currency risk is minimal.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

39. 金融工具(續)

39b. 財務風險管理目標及政策(續)

市場風險(續)

(i) 利率風險(續)

敏感度分析

以下敏感度分析乃根據銀行結存於結算日之利率風險釐定。就銀行結存而言，分析乃假設結算日之結存金額整年持有而編製。向主要管理人員內部申報利率風險時採用之50個基點增減反映管理層對利率之合理潛在變動之評估。

倘利率增加/減少50個基點而其他變數維持不變，本集團截至二零零七年十二月三十一日止年度之溢利將增加/減少338,000港元(二零零六年：增加/減少21,600港元)，主要源自本集團就銀行結存面對之利率風險。

(ii) 貨幣風險

本集團有以外幣列值而令本集團承受外匯風險之銀行存款。

本集團並無外幣對沖政策。然而，管理層監察外匯風險並將於需要時考慮對沖重大外匯風險。

管理層認為，由於本集團大部分交易以本集團附屬公司之功能貨幣或美元列值，故本集團並無重大外匯風險。由於美元與港元掛鈎，相關外匯風險甚微。

信貸風險

於二零零七年十二月三十一日，本集團就訂約方未能履行其責任而產生財務虧損之最高信貸風險乃源自綜合資產負債表列賬之各項已確認金融資產賬面值。為盡量減低信貸風險，本集團管理層已委任一組人員，專責釐定信貸限額、批核信貸及進行其他監控程序，確保跟進有關逾期債務之追討事宜。此外，本集團會於各結算日檢討個別貿易債務之可收回金額，確保就不可收回款項作出足夠減值虧損。就此，本公司董事認為，本集團之信貸風險已大幅減少。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

39. FINANCIAL INSTRUMENTS (Continued)

39b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At 31 December 2007, the five largest receivable balances accounted for approximately 20% of the trade receivables and the largest trade receivables attributable to the Group's trade receivables were approximately 6% of the Group's total trade receivables.

The Group's concentration of credit risk by geographical locations are mainly PRC other than Hong Kong and Taiwan, which accounted for 42% and 58% of the trade receivables as at 31 December 2007.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on its operating cash flows as a significant source of liquidity.

The Group's remaining contractual maturity for its financial liabilities falls within 30 to 90 days.

39c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

39. 金融工具(續)

39b. 財務風險管理目標及政策(續)

信貸風險(續)

流動資金之信貸風險有限，原因為訂約方為具備國際信貸評級機構頒授高信貸評級之銀行。

於二零零七年十二月三十一日，五大應收賬款結餘約佔貿易應收賬款20%，而本集團貿易應收賬款中最大應收賬款約佔本集團貿易應收賬款總額6%。

本集團按地域劃分之信貸風險主要集中於中國(香港除外)及台灣。於二零零七年十二月三十一日，分別佔貿易應收賬款營業額42%及58%。

流動資金風險

管理流動資金風險方面，本集團監控及維持管理層認為充裕之現金及現金等價物水平，以為本集團營運提供資金及減低現金流量波動影響。本集團依賴其經營現金流量作為主要流動資金來源。

本集團餘下金融負債之合約到期日為30至90日內。

39c. 公平值

金融資產及金融負債公平值按以下各項釐定：

- 附標準條款及條件且於活躍市場買賣之金融資產公平值，乃參考市場買入報價釐定；及
- 其他金融資產及金融負債公平值，按照普遍採納之定價模式，代入可得知現行市場交易價格，按貼現現金流量分析釐定。

董事認為，於綜合財務報表按攤銷成本入賬之金融資產及金融負債賬面值與其公平值相若。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 are as follows:

40. 附屬公司詳情

於二零零七年十二月三十一日，本公司附屬公司詳情如下：

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/已發行及繳足普通股本	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Shanghai Natural Beauty Cosmetics Company Limited 上海自然美化粧品有限公司	PRC 中國大陸	Foreign investment enterprise with limited liability 有限責任外資企業	US\$29,980,000 美金29,980,000元	100%	100%	Production and sale of skin care and beauty products 生產及銷售護膚及美容產品
Shanghai Natural Beauty Sanlian Cosmetics Company Limited 上海自然美三聯化妝品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB8,000,000 人民幣8,000,000元	100%	100%	Wholesale and retail of skin care and beauty products; provision of beauty treatments 批發及零售護膚及美容產品；提供美容護理
Shanghai Natural Beauty Qingbo Cosmetics Company Limited 上海自然美清波化妝品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB5,000,000 人民幣5,000,000元	100%	100%	Wholesale and retail of skin care and beauty products 批發及零售護膚及美容產品
Shanghai Natural Beauty Fansi Jewellery Company Limited 上海自然美梵斯珠寶有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB500,000 人民幣500,000元	100%	100%	Sale of jewellery, craftwork, adornment, leather and horologe 銷售珠寶、工藝品、裝飾品、皮革及鐘錶
Xi An Natural Beauty Mingyu Cosmetics Company Limited 西安自然美明宇化妝品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB3,000,000 人民幣3,000,000元	100%	100%	Sale of skin care and beauty products and related instruments; provision of skin care and beauty consulting 銷售護膚及美容產品及相關器材等；提供皮膚護理及美容諮詢

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/已發行及繳足普通股本	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行的股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Qingdao Natural Beauty Ornaments Company Limited 青島自然美飾品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB4,000,000 人民幣4,000,000元	100%	100%	Sale of skin care and beauty products and adornment 銷售護膚及美容產品及裝飾品
Nanjing Natural Beauty Cosmetics Company Limited 南京自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,000,000 人民幣2,000,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Chengdu Natural Beauty Cosmetics Company Limited 成都自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,500,000 人民幣2,500,000元	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and skin care and beauty consulting and training 銷售護膚及美容產品；提供美容護理和護膚以及美容諮詢及培訓
Hainan Natural Beauty Cosmetics Company Limited 海南自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,500,000 人民幣2,500,000元	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and beauty consulting and training 銷售護膚及美容產品；提供美容護理和美容諮詢及培訓

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/ 已發行及繳足普通股	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Shenzhen Natural Beauty Cosmetics Company Limited 深圳市自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB4,000,000 人民幣4,000,000元	90%	90%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Haerbin Sanlian Natural Beauty Cosmetics Company Limited 哈爾濱三聯自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,000,000 人民幣1,000,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Ningbo Hai Shu Natural Beauty Cosmetics Company Limited 寧波海曙自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB3,500,000 人民幣3,500,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Wuhan Natural Beauty Cutural Development Company Limited 武漢自然美容文化發展有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,500,000 人民幣2,500,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Tianjin Natural Beauty Cosmetics Company Limited 天津自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,000,000 人民幣2,000,000元	90%	90%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/已發行及繳足普通股	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行之股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Wenzhou Natural Beauty Cosmetics Company Limited 溫州市自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB2,000,000 人民幣2,000,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Beijing Natural Beauty Cosmetics Company Limited 北京自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB20,000,000 人民幣20,000,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Kunshan Natural Beauty Sanlian Cosmetics Company Limited 昆山自然美三聯化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,500,000 人民幣1,500,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Changchun Natural Beauty Cosmetics Company Limited 長春自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,500,000 人民幣1,500,000元	100%	100%	Sale of skin care and beauty products; provision of beauty treatments and skin care and beauty consulting 銷售護膚及美容產品；提供美容護理和護膚及美容諮詢
Mudanjiang Natural Beauty Cosmetics Company Limited 牡丹江市自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB800,000 人民幣800,000元	100%	100%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/ 已發行及繳足普通股本	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Lanzhou Natural Beauty Cosmetics Company Limited 蘭州自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,000,000 人民幣1,000,000元	90%	90%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Anshan Natural Beauty Cosmetics Company Limited 鞍山市自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,000,000 人民幣1,000,000元	100%	100%	Sale of skin care and beauty products and related instruments; provision of skin care and beauty consulting 銷售護膚及美容產品及相關器材；提供護膚及美容諮詢
Suzhou Natural Beauty Cosmetics Company Limited 蘇州自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,200,000 人民幣1,200,000元	100%	100%	Sale of skin care and beauty products and related instruments 銷售護膚及美容產品及相關器材
Fuzhou Natural Beauty Cosmetics Company Limited 福州自然美化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB1,500,000 人民幣1,500,000元	90%	90%	Wholesale and retail of skin care and beauty products and related instruments; provision of skin care and beauty consulting 批發及零售護膚及美容產品及相關器材；提供護膚及美容諮詢

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/已發行及繳足普通股本	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行之股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
上海自然美富麗化粧品有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB500,000 人民幣500,000元	100%	100%	Wholesale and retail of skin care and beauty products 批發及零售護膚及美容產品
Shanghai Full-Beauty Cosmetics Company Limited 上海富麗化粧品有限公司	PRC 中國大陸	Foreign investment enterprise with limited liability 有限責任外資企業	US\$1,408,000 美金1,408,000元	100%	100%	Production and sale of skin care and beauty products 生產及銷售護膚及美容產品
北京自然美九鼎軒投資有限公司	PRC 中國大陸	Limited liability joint venture enterprise 有限責任合營企業	RMB10,000,000 人民幣10,000,000元	51%	51%	Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Natural Beauty Cosmetics Company Limited 自然美化粧品股份有限公司	Taiwan 台灣	Limited liability company 有限公司	NT\$200,000,000 新台幣200,000,000元	100%	100%	Production and sale of skin care and beauty products 生產及銷售護膚及美容產品
Tian Ran Mei Bio-Technology Company Limited 天然美生物科技股份有限公司	Taiwan 台灣	Limited liability company 有限公司	NT\$32,000,000 新台幣32,000,000元	100%	100%	Production and sale of skin care and beauty products 生產及銷售護膚及美容產品

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/ 已發行及繳足普通股	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行的股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Huei Yao Investment Company Limited 輝耀投資股份有限公司	Taiwan 台灣	Limited liability company 有限公司	NT\$122,043,420 新台幣122,043,420元	100%	100%	Investment holding 投資控股
依森國際股份有限公司	Taiwan 台灣	Limited liability company 有限公司	NT\$1,000,000 新台幣1,000,000元	100%	100%	Provision of beauty consulting and training 提供美容諮詢及培訓
瑞昇醫學美容科技企業股份有限公司	Taiwan 台灣	Limited liability company 有限公司	NT\$3,000,000 新台幣3,000,000元	51%	51%	Provision of beauty consulting and training 提供美容諮詢及培訓
Belem Holdings Sdn. Bhd.	Malaysia 馬來西亞	Limited liability company 有限公司	MYR123,235,408 Class B shares MYR10,000 Class A shares B股馬來西亞幣 123,235,408元 A股馬來西亞幣 10,000元	100%	100%	Investment holding 投資控股
Billion Synergy Sdn. Bhd.	Malaysia 馬來西亞	Limited liability company 有限公司	MYR2 馬來西亞幣2元	100%	100%	Wholesale of skin care and beauty products 批發護膚及美容產品
Ice Crystal Management Limited 水晶管理有限公司	British Virgin Islands ("BVI") 英屬維爾京群島 (「英屬維爾京群島」)	Limited liability company 有限公司	US\$52,000 美金52,000元	100%	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

40. PARTICULARS OF SUBSIDIARIES (Continued)

40. 附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及經營地點	Kind of legal status 法定身分	Registered capital/ issued and fully paid ordinary share capital 註冊資本/已發行及繳足普通股本	Proportion of nominal value of issued capital held by the Company or its subsidiaries 本公司或其附屬公司所持已發行之股本面值比例	Attributable to the Group 本集團應佔	Principal activity 主要業務
Great Glamour Company Limited	BVI 英屬維爾京群島	Limited liability company 有限公司	US\$50,000 美金50,000元	100%	100%	Investment holding 投資控股
Next Success International Limited	BVI 英屬維爾京群島	Limited liability company 有限公司	US\$100 美金100元	100%	100%	Investment holding 投資控股
Fortune Investment Global Limited	BVI 英屬維爾京群島	Limited liability company 有限公司	US\$50,000 美金50,000元	100%	100%	Investment holding 投資控股
Natural Beauty Bio-Technology (Hong Kong) Company Limited 自然美生物科技(香港)有限公司	Hong Kong 香港	Limited liability company 有限公司	Limited liability 港幣10,000元	HK\$10,000	100%	100% Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理
Natural Beauty Bio-Technology (Macao) Company Limited	Macau 澳門	Limited liability company 有限公司	Limited liability 澳門幣25,000元	MOP25,000	100%	100% Sale of cosmetic products and provision of beauty treatments 銷售彩妝產品及提供美容護理

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

於年終或年內任何時間，概無附屬公司有任何尚未償還債務證券。

Financial Summary

財務概要

RESULTS

業績

		Year ended 31 December 截至十二月三十一日止年度				2007
		2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	二零零七年 HK\$'000 千港元
TURNOVER	營業額	320,086	358,142	357,916	363,746	450,147
PROFIT BEFORE TAXATION	除稅前溢利	83,525	99,058	119,845	174,453	208,029
INCOME TAX EXPENSE	所得稅開支	(30,084)	(36,333)	(38,834)	(51,641)	(29,248)
PROFIT FOR THE YEAR	年內溢利	53,441	62,725	81,011	122,812	178,781
ATTRIBUTABLE TO:	應佔：					
EQUITY HOLDERS OF THE COMPANY	本公司股東	54,142	63,262	81,092	123,198	178,707
MINORITY INTERESTS	少數股東權益	(701)	(537)	(81)	(386)	74
		53,441	62,725	81,011	122,812	178,781

ASSETS AND LIABILITIES

資產及負債

		At 31 December 於十二月三十一日				2007
		2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	二零零七年 HK\$'000 千港元
TOTAL ASSETS	總資產	841,415	900,231	937,470	997,660	1,032,314
TOTAL LIABILITIES	總負債	(80,827)	(95,600)	(117,173)	(118,489)	(116,663)
		760,588	804,631	820,297	879,171	915,651
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	本公司股東 應佔權益	750,389	794,969	813,511	878,739	909,626
MINORITY INTERESTS	少數股東權益	10,199	9,662	6,786	432	6,025
		760,588	804,631	820,297	879,171	915,651

Notice of Annual General Meeting

股東週年大會通告

NOTICE IS HEREBY GIVEN that the annual general meeting (the “Meeting”) of Natural Beauty Bio-Technology Limited (the “Company”) will be held at Gloucester Room, Mandarin Oriental Hotel at 5 Connaught Road, Central, Hong Kong on 12 June 2008 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements, directors’ report and auditors’ report of the Company for the year ended 31 December 2007.
2. To approve the final dividend and final special dividend for the year ended 31 December 2007.
3. To re-elect the retiring directors and to authorise the board of directors of the Company (the “Board”) to fix the remuneration of the directors of the Company (the “Directors”).
4. To re-appoint auditors and to authorise the Board to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

5A. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

茲通告自然美生物科技有限公司(「本公司」)將於二零零八年六月十二日下午三時正假座香港中環干諾道中5號文華東方酒店告羅士打廳舉行股東週年大會(「大會」)，以考慮下列事項：

1. 省覽截至二零零七年十二月三十一日止年度的本公司經審核財務報表、董事會報告書及核數師報告書。
2. 批准截至二零零七年十二月三十一日止年度的末期股利及末期特別股利。
3. 重選退任董事，並授權本公司(「董事會」)釐定本公司董事(「董事」)酬金。
4. 續聘核數師，並授權董事會釐定其酬金。
5. 作為特別事項，考慮並酌情通過下列決議為普通決議案(不論有否修訂)：

普通決議案

5A. **「動議：**

- (a) 在下文(c)段的規限下，一般及無條件批准本公司董事於有關期間(定義見下文)內行使本公司一切權力，以配發、發行及處理本公司股本中的額外股份，以及作出或授出可能需要行使該等權力的售股建議、協議、認股權及交換或兌換權利；
- (b) (a)段的批准將為本公司董事獲授的任何其他授權以外者，本公司董事獲授權於有關期間內作出或授出可能需於有關期間結束後行使該等權力的售股建議、協議、認股權及交換或兌換權利；

Notice of Annual General Meeting (Continued)

股東週年大會通告(續)

- | | |
|---|---|
| <p>(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval granted in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of any rights of subscription under the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and</p> | <p>(c) 本公司董事根據本決議案(a)段的批准而配發或有條件或無條件同意配發(不論是否根據認股權或其他方式配發)的股本面值總額,不得超過於本決議案獲通過當日本公司已發行股本面值總額的20%,惟根據(i)供股(定義見下文);或(ii)行使香港聯合交易所有限公司批准的本公司認股權計劃項下的任何認購權利;或(iii)根據本公司的公司組織章程細則就任何以股代息計劃或類似安排而配發股份代替本公司股份的全部或部分股利者除外,而上述批准亦須受此限制;及</p> |
| <p>(d) for the purposes of this resolution:</p> <p>“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:</p> | <p>(d) 就本決議案而言:</p> <p>「有關期間」指由本決議案獲通過當日起至下列任何最早時限止期間:</p> |
| <p>(i) the conclusion of the next annual general meeting of the Company;</p> | <p>(i) 本公司下屆股東週年大會結束;</p> |
| <p>(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company's Articles of Association to be held; or</p> | <p>(ii) 有關法例或本公司之公司組織章程細則規定本公司須舉行下屆股東週年大會的期限屆滿;或</p> |
| <p>(iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the shareholders of the Company in a general meeting.</p> | <p>(iii) 本公司股東於股東大會通過普通決議案撤回或修訂本決議案所載授權當日。</p> |

Notice of Annual General Meeting (Continued)

股東週年大會通告(續)

- (iv) “Rights Issue” means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

- (iv) 「供股」指本公司董事於指定期限內，根據於指定記錄日期名列本公司股東名冊的股東，按彼等當時持有股份的比例，向彼等提出出售本公司股本中股份之建議，惟本公司董事有權就零碎配額或經考慮任何有關司法權區法例的限制或責任或香港以外任何地區任何認可規管機構或任何證券交易所的規定，作出認為必須或權宜的豁免或其他安排。」

5B. “THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors of the Company and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of the shares which are authorised to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said authority shall be limited accordingly;

5B. 「動議：

- (a) 在下文(c)段的規限下，一般及無條件批准本公司董事於有關期間(定義見下文)內行使本公司一切權力，受限於及根據所有適用法例及不時修訂的香港聯合交易所有限公司證券上市規則的規定，購回本公司股本中每股面值0.10港元的股份；
- (b) (a)段的批准將為本公司董事獲授的任何其他授權以外者，董事獲授權代表本公司於有關期間內促使本公司按董事釐定的價格購回其股份；
- (c) 本公司董事於有關期間根據(a)段的批准，獲授權購回的股份面值總額，不得超過本決議案獲通過當日本公司已發行股本面值總額10%，上述批准亦須受此限制；

Notice of Annual General Meeting (Continued)

股東週年大會通告(續)

(d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company’s Articles of Association to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the shareholders of the Company in general meeting.”

5C. **“THAT:**

conditional upon the passing of the resolutions set out in paragraphs 5A and 5B of the notice convening this Meeting, the general mandate granted to the Directors of the Company pursuant to the resolution set out in paragraph 5A of the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution set out in paragraph 5B of the notice convening this Meeting, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

6. To transact any other business.

By order of the Board
Dr. Tsai Yen Yu
Chairman

Hong Kong, 18 April 2008

(d) 就本決議案而言：

「有關期間」指由本決議案獲通過當日起至下列最早時限止期間：

- (i) 本公司下屆股東週年大會結束；
- (ii) 有關法例或本公司之公司組織章程細則規定本公司須舉行下屆股東週年大會的期限屆滿；或
- (iii) 股東於股東大會通過普通決議案撤回或修訂本決議案所載授權之日。」

5C. **「動議：**

待召開本大會通告所載第5A及5B段的決議案獲通過後，擴大根據載於召開本大會通告第5A段的決議案授予本公司董事的一般授權，加入相當於本公司根據召開本大會通告的第5B段所載決議案授出的授權所購回本公司股本面值總額之數額，惟該數額不得超過本決議案獲通過當日本公司已發行股本面值總額之10%。」

6. 處理任何其他事項。

承董事會命
蔡燕玉博士
主席

香港，二零零八年四月十八日

Notice of Annual General Meeting (Continued)

股東週年大會通告(續)

Notes:

1. The register of members of the Company will be closed from 4 June 2008 (Wednesday) to 6 June 2008 (Friday), both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for both the proposed final dividend and final special dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's branch share registrar, Hong Kong Registrars Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 June 2008 (Tuesday).
2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more Farate proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Company.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's principal office in Hong Kong at Unit 3512, 35/F, The Center, 99 Queen's Road Central, Hong Kong or at the Company's Registrar, Hong Kong Registrars Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned Meeting.
4. With respect to the resolution set out in paragraph 5B of the notice, approval is being sought from shareholders of the Company (the "Shareholders") for a general mandate to be given to the Directors to purchase shares of the Company.
5. With respect to the resolutions set out in paragraphs 5A and 5C of the notice, approval is being sought from Shareholders for general mandates to be given to the Directors to allot, issue and deal with shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
6. An explanatory statement containing the information with respect to the resolutions set out in paragraphs 5A to 5C of the notice will be sent to the Shareholders together with the 2007 annual report.
7. At the AGM, the Chairman of the Meeting will exercise his/her power under Article 81(a) of the Articles of Association of the Company to put each of the resolutions set out in this notice to be voted by way of poll. On a poll, every member present in person (or in the case of a corporation by its corporate representative) or by proxy shall have one vote for each share of any class of which he is the holder.

附註：

1. 本公司將於二零零八年六月四日(星期三)至二零零八年六月六日(星期五)期間(包括首尾兩日)暫停辦理股東登記手續，期間不會辦理任何本公司股份過戶登記。為符合資格獲派派末期股利及末期特別股利，所有填妥之股份過戶表格連同有關股票，須於二零零八年六月三日(星期二)下午四時三十分前送達本公司之香港股份過戶登記分處香港證券登記有限公司，地址為香港皇后大道東183號合和中心17樓1712-16號舖。
2. 凡有權出席本大會並於會上投票之任何股東，均可委任一名或以上受委代表出席大會並於會上代其投票。受委代表毋須為本公司股東。
3. 代表委任表格連同簽署表格的授權書或其他授權文件(如有)或經公證人證明的副本，必須於本大會或其任何續會指定舉行時間四十八小時前，交回本公司於香港之總辦事處，地址為香港中環皇后大道中99號中環中心35樓3512室；或本公司之股份過戶登記處香港證券登記有限公司，地址為香港皇后大道東183號合和中心18樓1806-07號舖，方為有效。
4. 關於本通告第5B段所載的決議案，本公司現正徵求本公司股東(「股東」)批准授予董事一般授權，以購回本公司股份。
5. 關於本通告第5A及5C段所載的決議案，本公司現正徵求股東批准授予董事一般授權，以根據香港聯合交易所有限公司證券上市規則的規定，配發、發行及處理本公司股份。
6. 載有關於本通告第5A至5C段的決議案資料的說明函件將連同二零零七年年報一併寄交股東。
7. 於股東週年大會上，大會主席將根據本公司之公司組織章程細則第81(a)條行使彼之權力，以按股數投票表決方式表決本通告所載各項決議案。於按股數投票表決時，每名親身出席股東(或如股東為公司，則其公司代表)或委派代表每持有一股任何類別股份將可投一票。

