



Net Profit Surged by 29.2% to Historical Peak with a High Dividend Payout Ratio at 81.5% for 2005
~ Revamped brand image and entrustment strategy drivers for better product sales and higher revenue per store ~

- Net profit increased by 29.2% to HK\$81,011,000
- Operating profit surged by 21.0% to HK\$119,845,000
- Satisfactory gross margin of products at 85.3%
- Average sales per store increased by 5.0% to HK\$169,000
- Turnover remain stable with a 0.1% decrease at HK\$357,916,000
- Other operating income increased by 86.8%, or HK\$20,000,000
- Final dividend of HK 2 cents with dividend payout ratio at 81.5%

(April 12, 2006, Hong Kong) – Natural Beauty Bio-Technology Limited (“Natural Beauty” or the “Group”; Stock Code: 157), the leading professional skin-care and spa services provider in China, is pleased to announce today its annual results for the year ended December 31, 2005.

The Group’s turnover remained stable with a slight adjustment of 0.1% from HK\$358.1 million to HK\$357.9 million for the year ended December 31, 2005, resulting from the structural changes of product versus service income. Net profit for the year enjoyed an outstanding year-on-year increase of 29.2% to HK\$81.0 million.

Continuing with our strategy to entrust the operation of our own spas to reputable local operators, we have reduced the operation loss effectively, resulting in a record-breaking net profit at HK\$81,011,000 since listed. Our net profit and operating profit margins for the year improved an impressive 29.2% and 21.0% respectively. While service income is reduced due to the entrustment arrangements, we have successfully increased our product sales. The PRC has recorded a growth in products sales of 5.3% for year 2005 due to the entrustment strategy.

The productivity of each store has also improved by 5.0% with average sales per store increasing to HK\$169,000 from HK\$161,000 in 2004. In 2005, we have introduced 59 new skin-care products and 5 health supplements to increase our store sales. The improvement in revenue per store is also complemented by the successful revamp of both our brand and store image together with the product repackaging program which boosted sales of home-use products and significantly reduced packaging costs. 611 of our 1,446 stores have already undergone a store interior facelift under our revamp program by the end of December 2005 in the PRC while that for Taiwan has just begun in March this year.

Dr. Spring Su, Managing Director of Natural Beauty, commented on the product repackaging, "In order to offer a consistent image, we have simplified our package type of over 700 products in more than 200 various forms, and turned into 24 standard forms only. All our new packages are costing less than the original packages, with cost saving ranging from RMB0.06 to RMB12.14 per bottle. Overall, the Group's gross profit margin increased from 77.0% in 2004 to 79.5% in 2005, maintaining at high levels. In PRC, gross margin of products is satisfactory at 85.1%. We believe our repackaged products not only would improve the profit margin, the appealing look would also drive the sales of home-use products in the spas, one of our initiatives to further boost the store sales of each franchisee."

Dr. Su also shared the brand management strategy, "Our revamped website has been well-received and has managed to convey the flair and image of the brand. It has attracted over 950,000 visitors between its launch in mid-November 2005 and the end of year 2005. Overall, our new brand identity has been well received and granted us such internationally renowned accreditations as the 2005 'Outstanding enterprise in Hong Kong' award, Top 10 most influential beauty brand in China, Top 10 most influential beauty franchised salons in China, Best Enterprise for Financial Management in China, best slogan and most creative graphics in the 'Longshi Global Chinese Print Award, 6 shortlists in the 'Hong Kong Designer Award', 8 merits and short listed in the 'Asia Pacific Times Award', as well as the 'Asia Pacific Interior Design Award' for our spa in Central, Hong Kong." The new brand image also helps us to attract new franchisees. While we are cutting down ineffective stores, we managed to open another 252 new stores in 2005."

On the prospects of the Group, Dr. Su concluded, "Being the market leader in Greater China, Natural Beauty is well positioned to capitalize on the strong growth potential in the region, especially in China. We have successfully developed a leading position for the NB brand in the PRC and have built a renowned brand identity in the region. In the coming year, we will continue to launch new skin-care products and health supplements through marketing and advertising campaigns, as well as pursue our brand revamp program in order to further improve average store sales. We will also extend the network for product distribution through our franchisee recruitment programs and expansion of local distribution channels. Development of our beauty license training business (training centre will receive government subsidies ranging from RMB 670 to RMB 1,720 per student) and introduction of new revenue sources including franchisee fee and management fee are expected to further fuel our sales growth. In the long run, we strive to be the leading beauty and spa services and professional product provider in Greater China region, maximizing returns for our supportive shareholders."

- End -

Financial Highlights

Income Statement Highlights

For the year ended December 31

(HK\$ million)	FY2005	FY2004	Change (%)
Turnover	357.9	358.1	(0.1)
Gross Profit	284.6	275.9	3.2
Net Profit for the Year	81.0	62.7	29.2
EBITDA	142.4	137.6	3.5
EPS (HK cents) - basic	4.1	3.2	28.1
DPS (HK cents)	3.3	2.5	32.0

Balance Sheet Highlights

As at December 31

(HK\$ million)	FY2005	FY2004
Cash and cash equivalents	338.7	235.9
Gearing ratio	Net cash	Net cash
Total assets	937.5	900.2
Net current assets	456.9	425.4
Total shareholders' equity	813.5	795.0

About Natural Beauty Bio-Technology Limited

Natural Beauty is a leading professional skin-care, spa services and beauty products provider in Greater China. The Group principally offers tailor-made professional skin-care services and products through a distribution network of over 2,000 NB's SPAs and dedicated counters in Greater China. The Group is engaged in the research and development, manufacture and sale of skin care, aromatherapeutic and professional skin-care products, marketed under the brandname "NB®". It also operates 15 license training schools in collaboration with the Ministry of Labour and local departments of labor to issue 10 kinds of beauty and spa licenses.

For further information:

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