



自然美
natural beauty

Corporate Presentation

Merrill Lynch Pan Asia Rising Stars Conference
Singapore

May 2007





Corporate Positioning

Asian Leading **Beauty & Spa**
Professional Service Product
& Training Provider

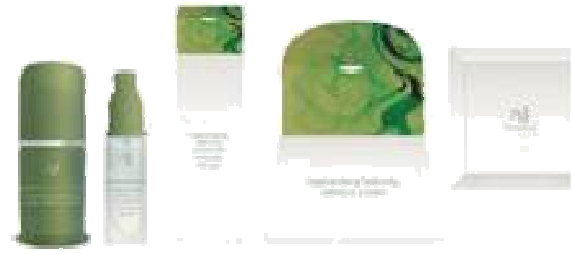


Professional Spa & Beauty Products



◀ **Harvard NB1 Series**
RMB2000~5888

Natural hormone Series RMB2200 ▶



◀ **Tao of Beauty**
Facial treatment use only
RMB52~525

Spice of Beauty ▶
Body treatment use only
RMB90~1345



◀ **Zen of Beauty**
Home use series
RMB120~680

Qi of Beauty ▶
Home use series
RMB99~480



◀ **Harvard XXS Body Fitness & A2D Breast Beauty Series**
RMB420~880

▼ **Health Supplement** RMB250~280



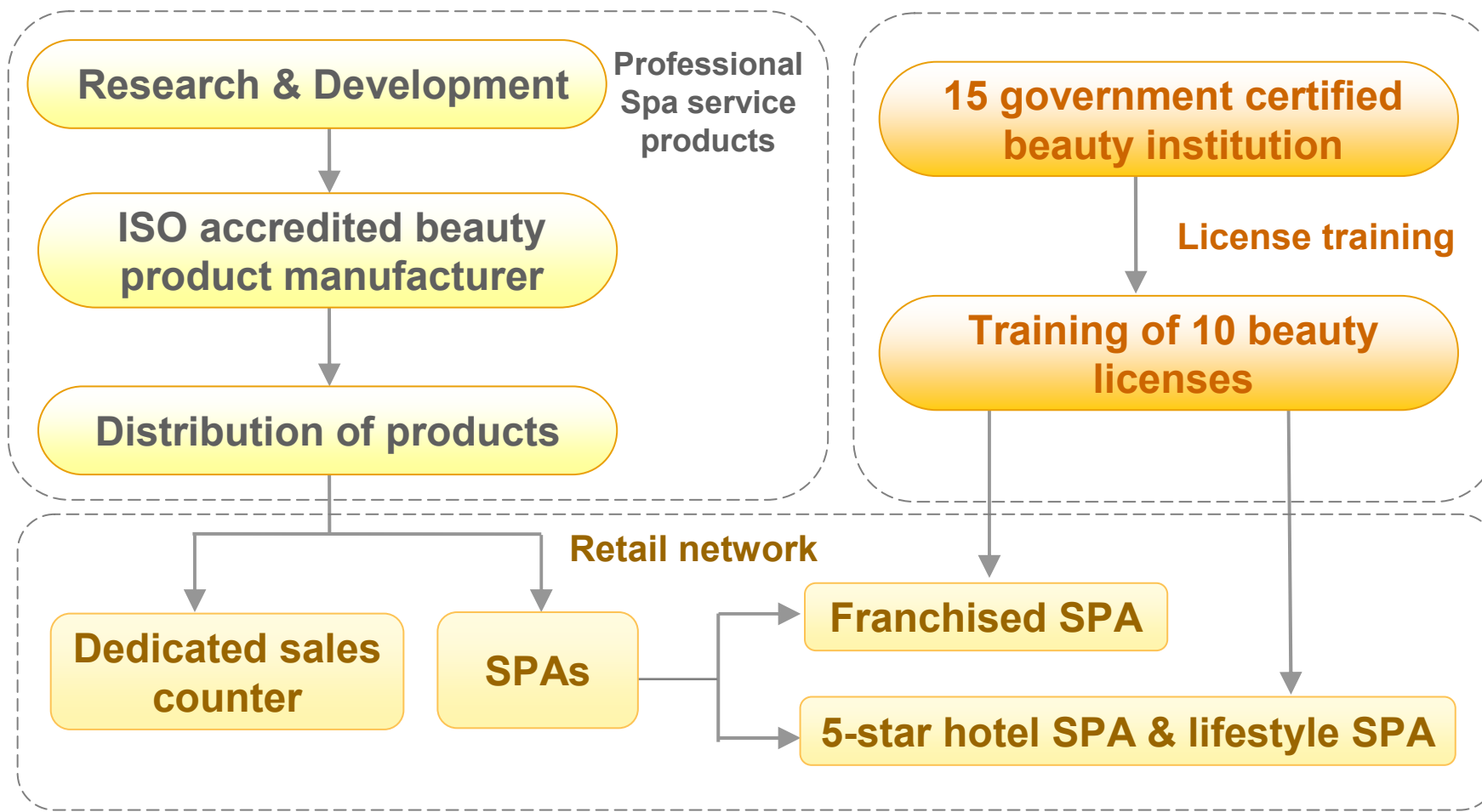
Unique Professional Products for Head-to-toe Spa Programs



- 
- ▶ **Aroma Hair-loss Preventive Scalp Treatment**
RMB110
 - ▶ **Aroma Bust Treatment & Firming Wrap**
RMB320
 - ▶ **Aroma Hydrotherapy**
RMB120
 - ▶ **Digestion Enhancing Treatment**
RMB380
 - ▶ **Aroma PMS Treatment**
RMB120
 - ▶ **Aroma Body Sculpturing & Firming Treatment**
RMB300~450
 - ▶ **Ultra Lympo Slim Up Treatment [Waist/ Stomach/ Pregnant lines / Thigh/ Buttock/ Shoulder]**
RMB300
 - ▶ **Aroma Oriental Massage/ Energetic Lymphomassage**
RMB450
 - ▶ **Yin & Yang Jade Massage Therapy**
RMB120
 - ▶ **Aroma Spa / Paraffin Manicure & Pedicure**
RMB300~500
 - ▶ **Facial Treatment [NB-1/ Natural Hormone/ Bio-tech / Whitening/ Hydro/ Specialty]**
RMB180~500
 - ▶ **Aroma Lympo Lift-up Therapy [Whitening/ Balancing/ Refining/ Brightening/ Rejuvenating/ Dark Circle/ Firming]**
RMB200~250
 - ▶ **Optional Facial Upgrade [Eyes/ T-zone/ Whitening/ Slimming/ Anti-wrinkle]**
RMB85~160
 - ▶ **Aroma Pores & Dark Spot Back Treatment**
RMB250
 - ▶ **Aroma Firming Neck Treatment**
RMB160
 - ▶ **Aroma Muscle-relieving Shoulder Massage**
RMB120
 - ▶ **Waxing [Underarm/Arm/Leg/Eyebrows]**
RMB130~280
 - ▶ **Whitening Ocean Wrap [Arm/Full Body]**
RMB300
 - ▶ **Body Herbal Scrub** RMB320



Core Business





Optimized Distribution Network

As at 31 Dec 2006

		<i>Franchisee owned</i>	<i>Entrusted</i>		<i>Self-owned</i>		
		<i>Spa</i>	<i>Spa</i>	<i>Counter</i>	<i>Spa</i>	<i>Counter</i>	
The PRC		1,707	1,591	24	20	5	67
Taiwan		671	501	-	161	9	-
Others	HK	51	-	-	-	1	-
	Malaysia		50	-	-	-	-
Total		2,429	2,142	24	181	15	67



Nationwide Distribution Network in PRC

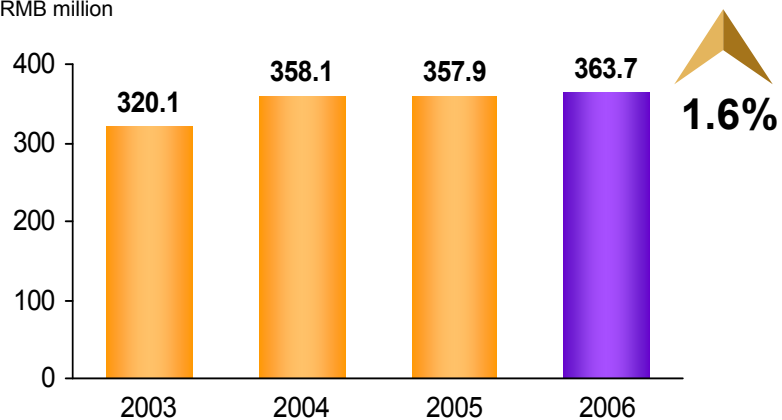




Strong Financial Performance

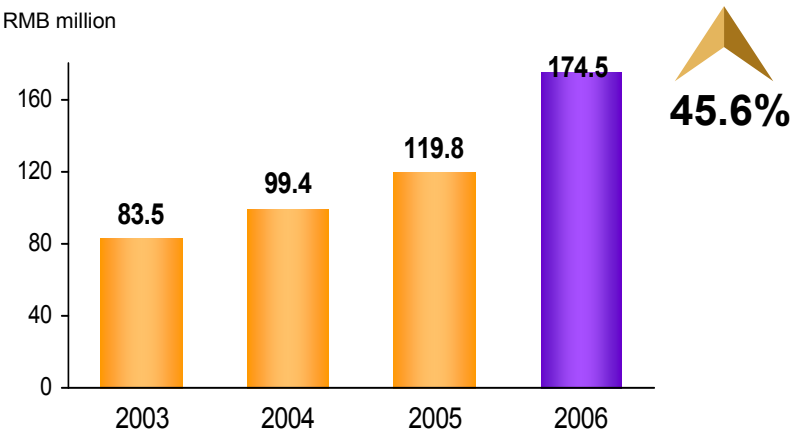
Turnover

RMB million



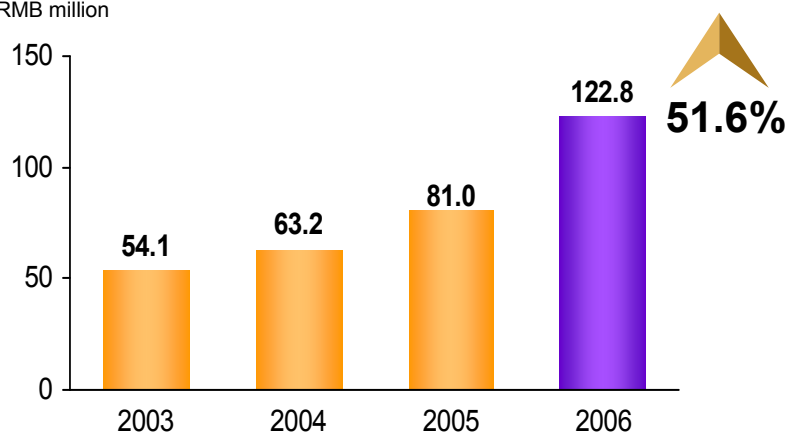
Operating profit

RMB million



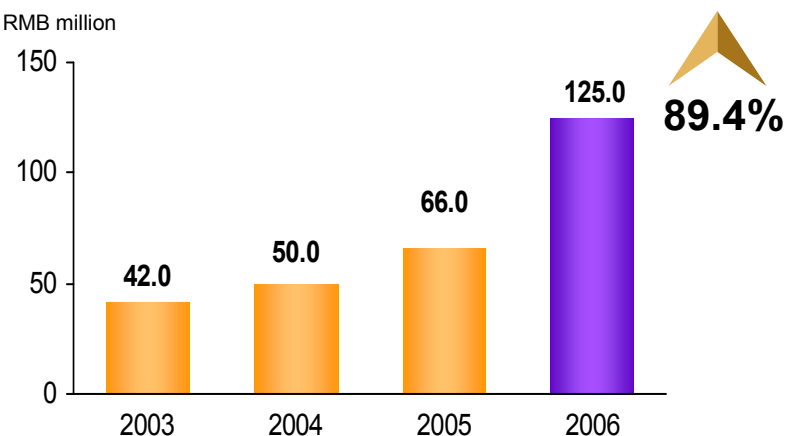
Net income

RMB million



Dividends

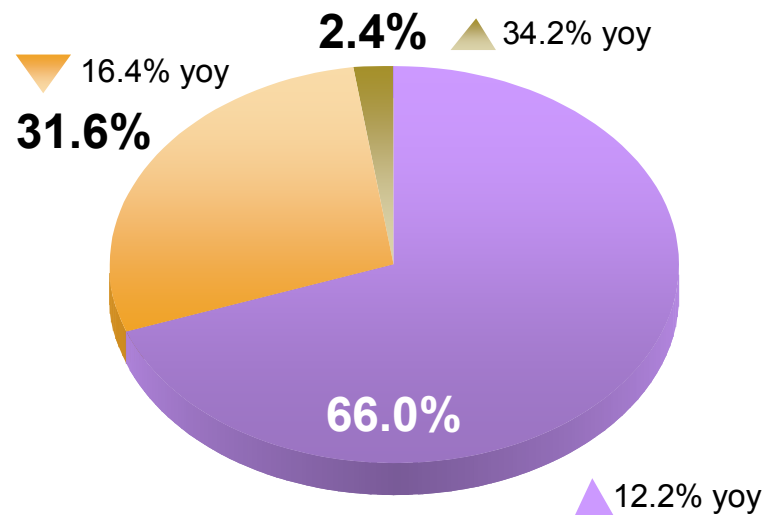
RMB million





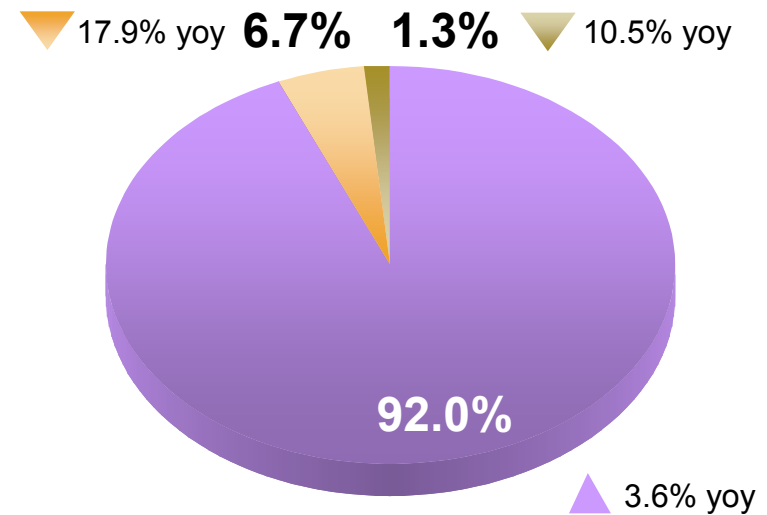
Turnover Analysis for FY2006

By region



- The PRC
- Taiwan
- Others (incl. Hong Kong & Malaysia)

By product/ service



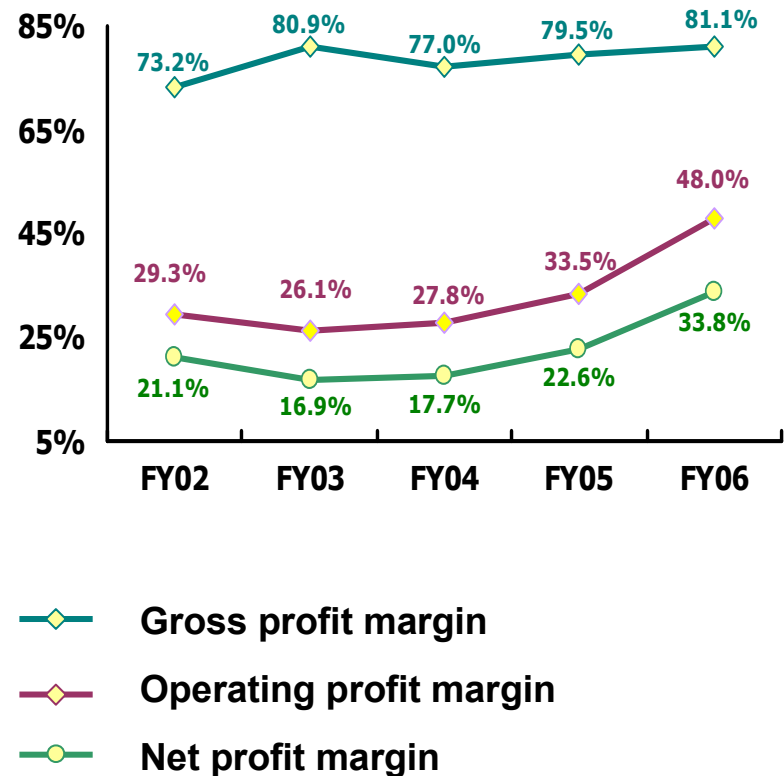
- Product Sales
- Service Income
- Entrustment income



Maintained High Profitability

- ▶ **Gross profit margin and operating profit margin further increased to 81.1% and 48% respectively:**
 - Premium line, NB-1 Family products, contributed to higher product margins
 - Product repackaging increased products margins
- ▶ **Net profit margin significantly grew by 11.2 percentage points due to:**
 - Increased tax refund as a result of higher sales revenue in the PRC
 - Entrustment of spas to reputable operators enhanced cost-efficiency

Operating profit by region





New IR Website (www.nblife.com/ir)

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- Company Profile
- Financial Reports
- Announcements
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- Shareholder Services
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Latest TV Commercial (60 seconds)

NB-1 Angel TV commercial with celebrity He Jun Xiang. For more details, please [click here](#).

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- 2007-04-18 [2006 Annual Results Announcement](#)

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2007-04-19 10:17:08 (GMT+8)

\$1.76 (↑ 0.03)

Day High	1.77
Day Low	1.77
Turnover	548.7 K

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Future Growth Strategies





Growth Drivers Summary

▶ Enhance Average Store Sales (FY2006: HK\$148,000 for PRC)

- Revamp brand, website and shop image (FY2006:1,451 stores)
- Repackage products to stimulate home-use product sales and reduce costs (FY2006: 221 products repackaged)
- Introduce various skin-care products and health supplements to enrich product line (FY2006: 36 new products)
- Enhance beautician training to increase franchisees' productivity & product sales

▶ Expand Distribution Channels

- Target to open 400 franchisee stores in China (FY2006: 308)
- Further expand retail distribution network for “Fonperi” in Taiwan





Effective Distribution Network

- ▶ Opened 161 retail outlets in 2006
- ▶ To further expand distribution network
 - Target to establish 1,300 retail points of sales in 2007 including hypermarkets and drugstores





Fonperi - Advertising

水潤為底，九倍勁白! **妳的白，自然透出光采!**

fonperi
natural beauty

white fountain
泉·淨白

以Salon級專業學問的自然美 fonperi
堅持採用最純潔最精純養護成份，調和天然無害配方
讓東方女性細嫩敏感的肌膚

new

White fountain 泉·淨白 亮潔保潔乳霜
肌膚亮潔透澤，才能容光煥發！這系列「泉·淨白」亮潔保潔乳霜含有最新
「亮潔保潔」亮潔乳霜，能溫和、無刺激、無傷害地維持肌膚
的亮潔，九倍強效淨白成分，讓肌膚「淨、白、透」亮潔如新！

www.fonperi.com



自然美

natural beauty

Competitive Analysis & Industry Outlooks





- ▶ PRC is now the world's eighth-largest and Asia's second-biggest cosmetics market according to figures from China Association of Fragrance, Flavor and Cosmetics Industry (CAFFCI)
- ▶ In China, cosmetics is the fifth-largest consumer market after real estate, cars, telecommunications, education and tourism (department of statistics, PRC).



Macro Industry Growth Outlooks

- ▶ Industry structural changes, moving from agriculture → manufacture → service (32.3% in PRC vs. 65% in US, 57% in Japan, and 40% average for developing countries)
- ▶ City regionalization and village urbanization (36% in PRC vs. 80% for developed and 60% for developing countries)
- ▶ Total retail sales increase 14.9% and retail sales for cities increase 15.5% for the 1st quarter, 2007 (Department of Statistics, PRC).
- ▶ Female annual disposable income per capita increased from RMB3,132 in 2000 to RMB3,815 in 2004 (Euromonitor Report, 2006).
- ▶ GDP growth 14.6% for 1st quarter, 2007 (10.7% in 2006) (Department of Statistics, PRC).



Cosmetic Industry Overview

- ▶ Sales of cosmetics and toiletries grew by nearly 11% in current value terms in 2005 to reach RMB85 billion (Euromonitor, 2006)
- ▶ Growth over the forecast period is expected to be less strong at 12%, reaching RMB51.7 billion by 2010 (Euromonitor, 2006)
- ▶ Surveys have indicated that 37 percent of urban Chinese women buy skincare and beauty products
- ▶ The 18 to 30 age group makes up 77 percent of consumers (Annual Report on Beauty Economy, 2005)



Retail Competition (consumer recognition rate/Market shares 2005): a crowd market with 3000+ brands

High end department store brands:

SKII (42.2%/1.8%), Lancome (32.5%/1.5%), Shisedo (27.8%/1.1%),
Estee Lauder (19.1%/0.8%)

Mass hypermarket brands:

Olay (36.6%/15.7%), L'Oreal (30.4%/3.5%),
Clean & Clear – Johnson & Johnson (7.6%/1.3%)
Garnier Mini Nurse (15.7%/2.1%), Pone's (11.9%/3.8%)

Direct selling:

Artistry – Amway (7.2%/10.2%), Avon (27.8%/6.8%), Mary Kay (6.1%/4.5%)

Cosmetic drugstores:

Aupres (15.5%/5.8%), Dabao (13.5%/3.6%)



Retail channel analysis

- ▶ Premium skin care in department stores see growth momentum slow, loosing shares from 55.9% in 2000 to 34.2% in 2005
- ▶ Mass skin care continue to lose shares from 88% in 2000 to 75% in 2005
- ▶ Pharmacies and drugstores see increased shares from 2% in 2000 to 4.5% in 2005
- ▶ Direct selling increases from 4.5% in 2000 to 9.3% in 2005

Source: Euromonitor, 2006



Beauty Service Industry Overview

- ▶ According to 2005 Annual Report on Beauty Economy in China, there are 1.54 million beauty & hair salons in China, creating 12 million employment opportunities
- ▶ For every 1% GDP growth, beauty service consumers increase 0.56% (Annual Report on Beauty Economy in China, 2005)



Urban Beauty Service Market Size

Source: Annual Report on Beauty Economy, 2005

City	Population (10000)	Population per Store	Store No.	Avg. annual income (RMB1000)	Total Income (billion)
1 st tier	2940.26	80000	23522	307.6	7.23
2 nd tier	6647.32	120000	79767	246.8	19.68
3 rd tier	20034.9	130000	260453	159.1	41.43
4 th tier	18109	140000	253526	120.6	30.57
TOTAL	47731.48				98.93



Beauty industry competition (consumer recognition rate):

Franchisee Spa:

Natural Beauty (49.7%) –professional service product provider with a network size of 2,429 franchisee Spa/outlets (HK:157) and manufacturing plants. Others being service provider e.g. Shyenli (17.4%), beauty farm (9.4%).

Individual beauty salon:

Illegal parallel importing

Hotel Spa:

Banyan Tree, Mandara, Four Seasons (NB consultancy)

Source: Annual Report on Beauty Economy, 2005

Service Consumer Spending Pattern



- ▶ Independent survey indicates that half of the respondents in China and 59% in Taiwan visit beauty salons.
- ▶ 35% in China and 33% in Taiwan visit salons once a month or more often. Top reasons being product quality, services offered and prices
- ▶ About half in China and 61% in Taiwan spend less than RMB350/NT1,500 per month on salon services, though 28% in China and 41% in Taiwan spend at least that amount per salon visit.
- ▶ 59% plan to spend between RMB200 to 1000/ NT1,500 to 5,000 on skin care products each month.
- ▶ Net favorable opinion of Natural Beauty in both China and Taiwan is strongest in the 36-45 and 26-35 age groups for its product quality, professionalism and ambience.
- ▶ 50% in China and 41% in Taiwan plan to visit a Natural Beauty salon within the next 12 months



Thank you!