



自然美

natural beauty

Corporate Presentation  
**Merrill Lynch / ICBC**  
The 4th Annual China Investment Forum  
New York

May 31 – June 1, 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



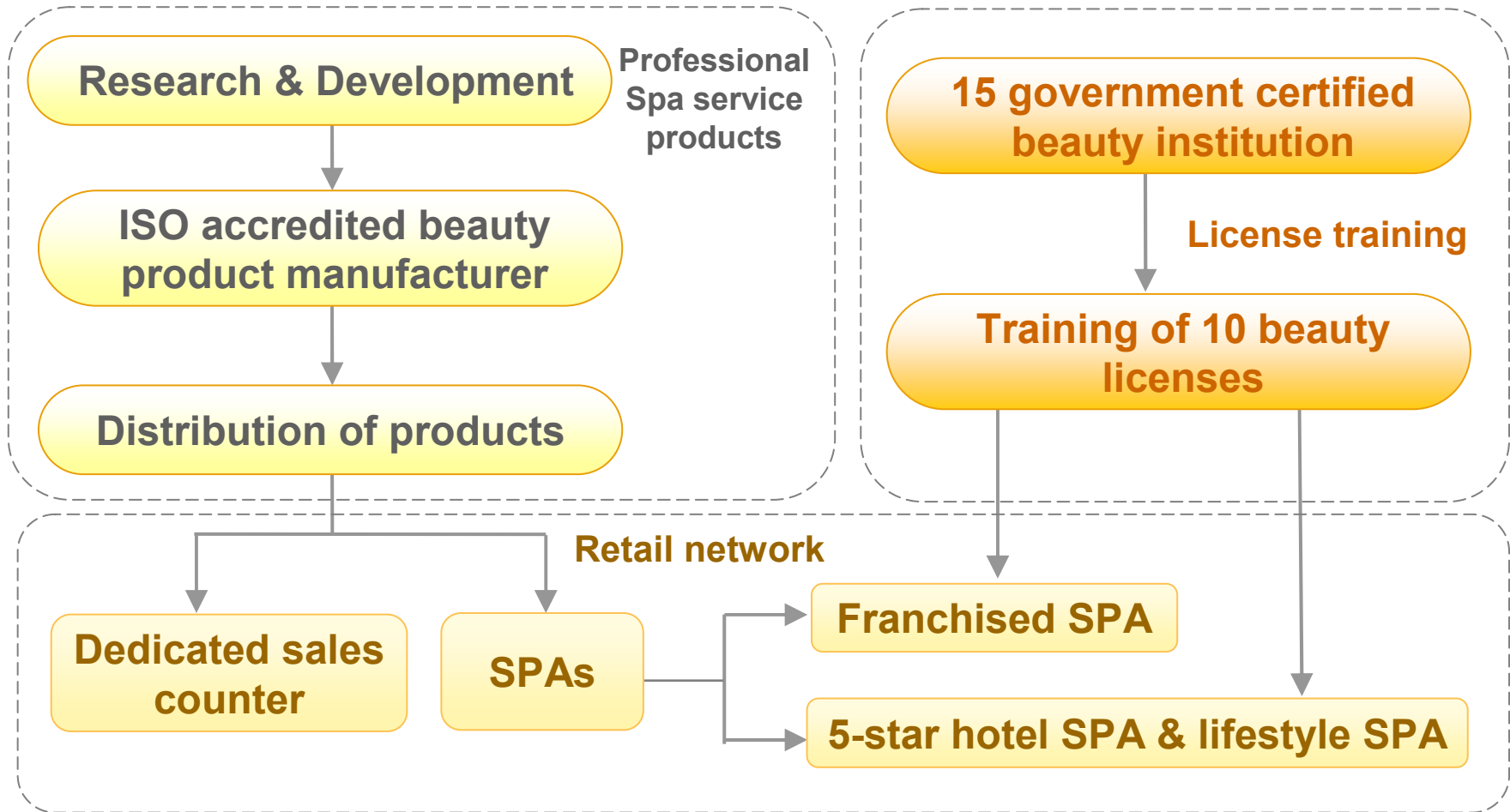
# Unique Professional Products for Head-to-toe Spa Programs



- 
- ▶ **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

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



# Nationwide Distribution Network in PRC

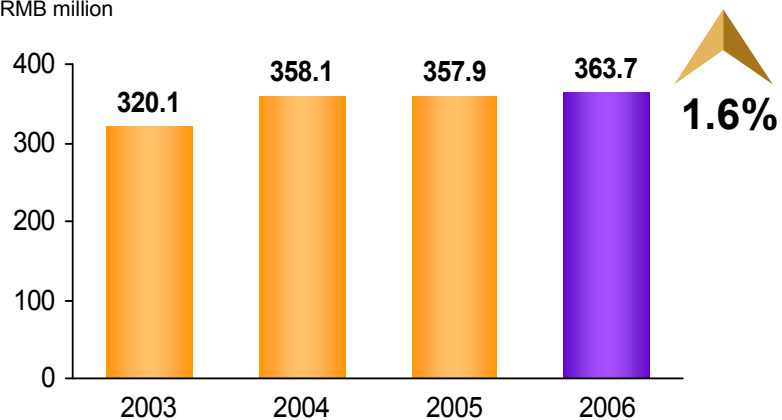




# Strong Financial Performance

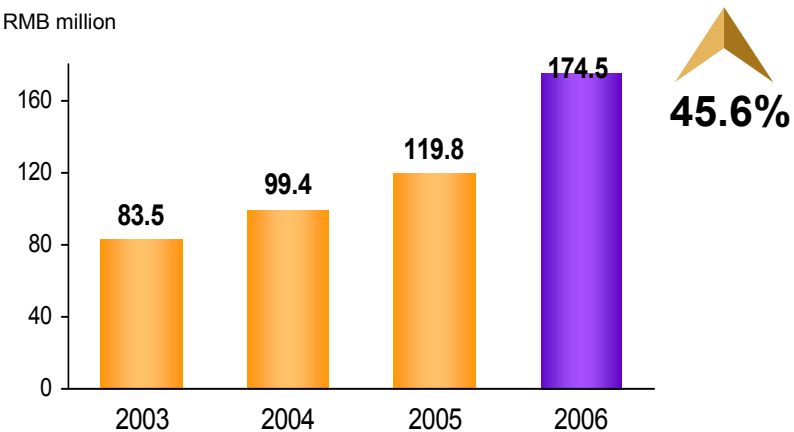
## Turnover

RMB million



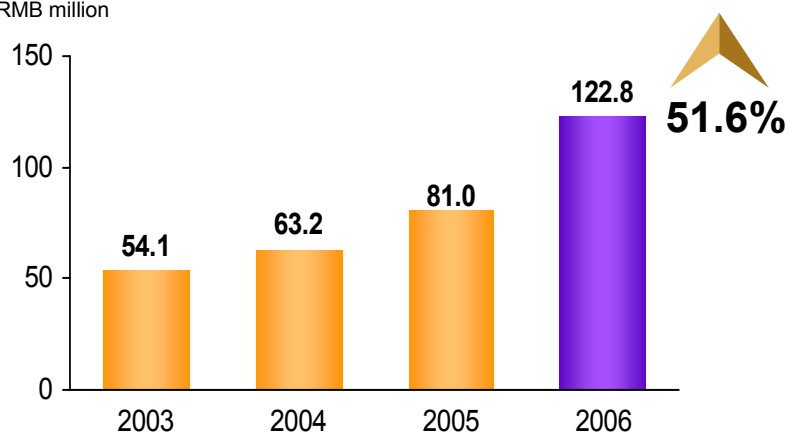
## Operating profit

RMB million



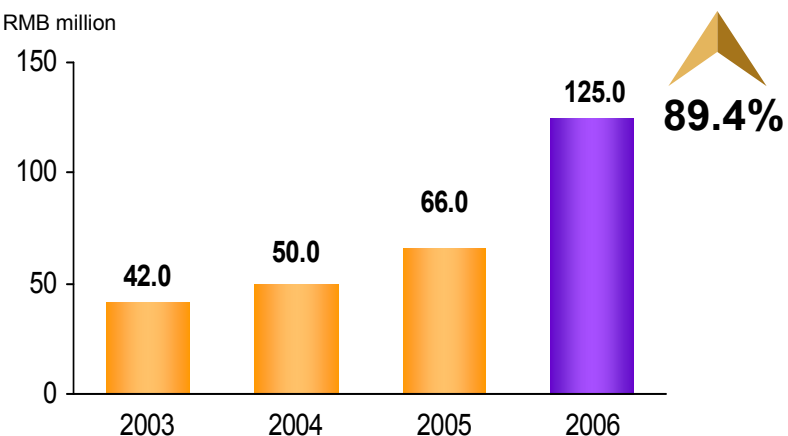
## Net income

RMB million



## Dividends

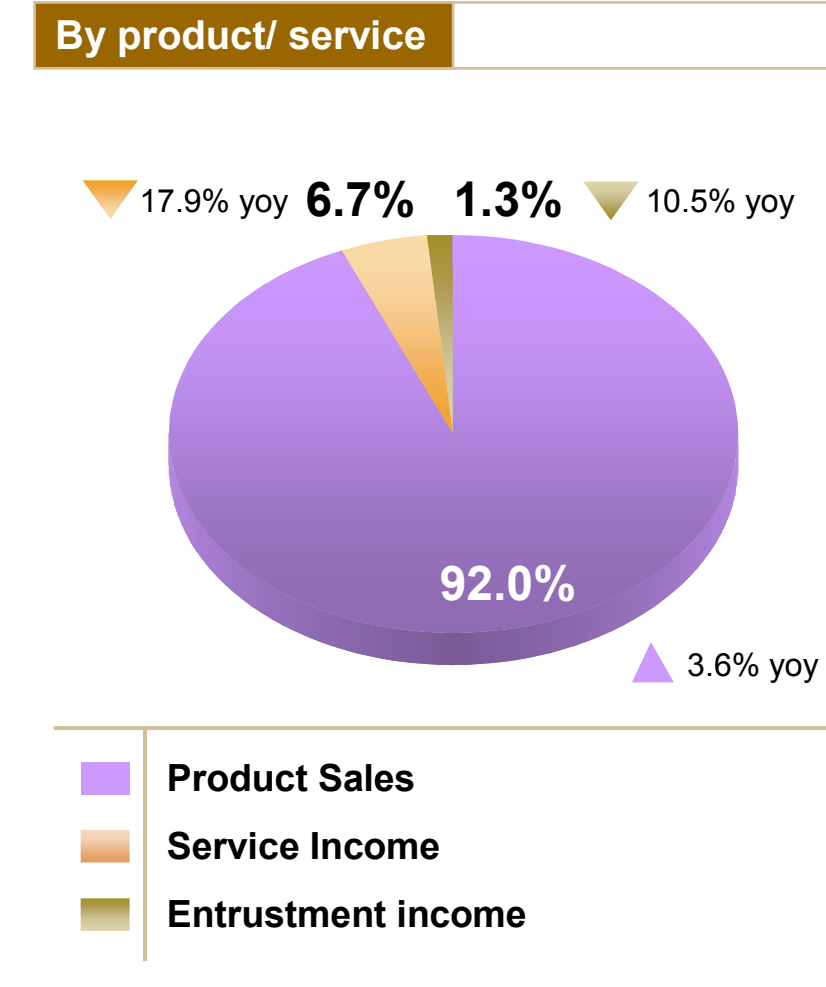
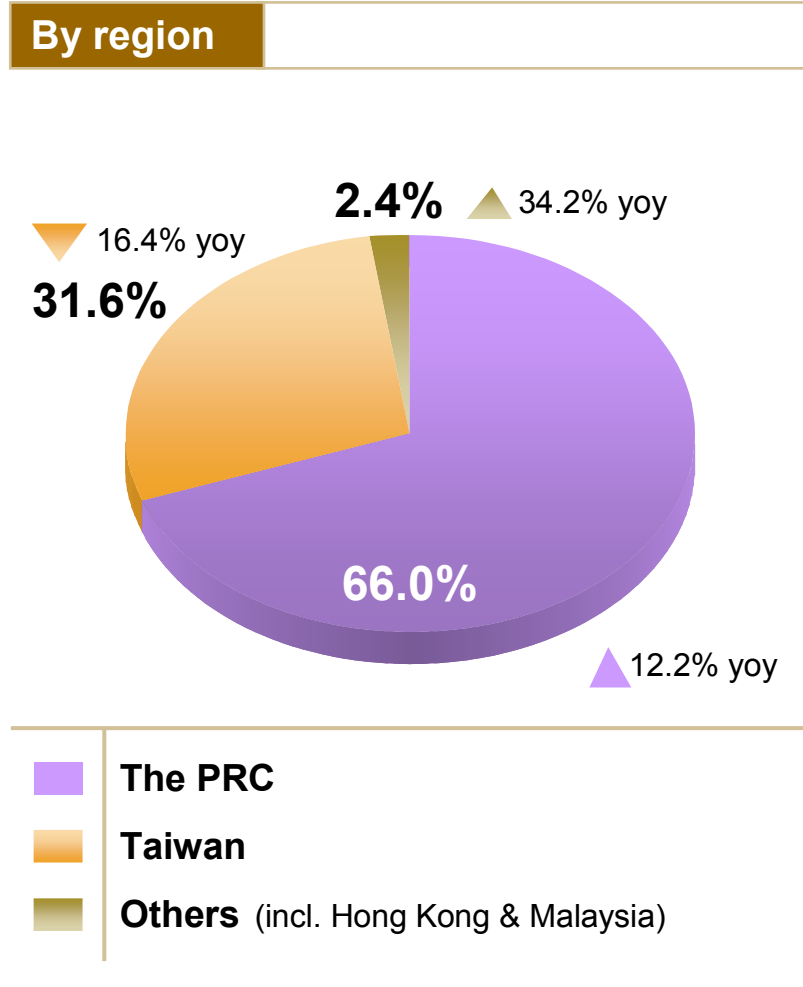
RMB million







# Turnover Analysis for FY2006

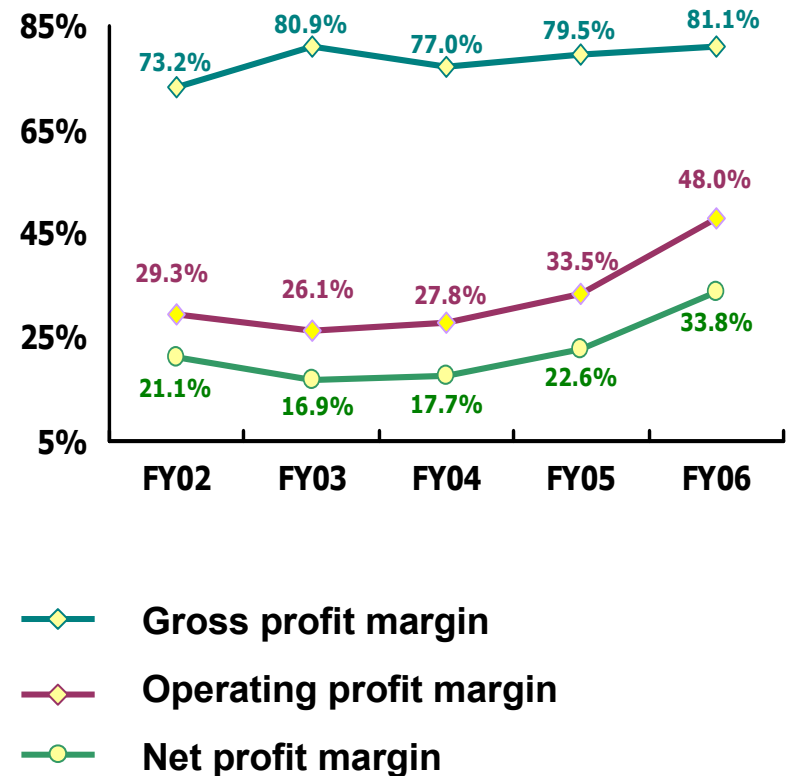




# Maintained High Profitability

- ▶ **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

Historic Margins Trend





# New IR Website ([www.nblife.com/ir](http://www.nblife.com/ir))

**Investor Relations Home**

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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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- 2007-04-16 [Disposal of Investment Property in Taiwan](#)

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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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# Competitive Analysis & Industry Outlooks





# 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 grow at 12% per annum, reaching RMB140 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%), Lancôme (32.5%/1.5%), Shiseido (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%), Pond'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%)



## 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 <sup>st</sup> tier	2940.26	80000	23522	307.6	7.23
2 <sup>nd</sup> tier	6647.32	120000	79767	246.8	19.68
3 <sup>rd</sup> tier	20034.9	130000	260453	159.1	41.43
4 <sup>th</sup> tier	18109	140000	253526	120.6	30.57
<b>TOTAL</b>	<b>47731.48</b>				<b>98.93</b>



## 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



# **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  
「亮潔淨白精華」能深入毛孔，清除污垢，有效淨化肌膚，使肌膚  
更亮白，九倍淨白效果！讓妳展現「淨·白·透」自然光采！

www.fonperizoom