



自然美

natural beauty



2007 Interim Results

September 2007



Results Highlights



Highlights of the Period

- ▶ **Net profit surged 50.4% to HK\$ 74.3 million**
- ▶ **Dividend payout ratio reached 135% to HK\$100 million**
- ▶ **Net profit margin increased by 8.2 percentage points to 38.4%**
- ▶ **Fonperi 1,100 retail channels contributed to Taiwan market's top line turn around**



Financial Summary

Six months ended June 30 Change %

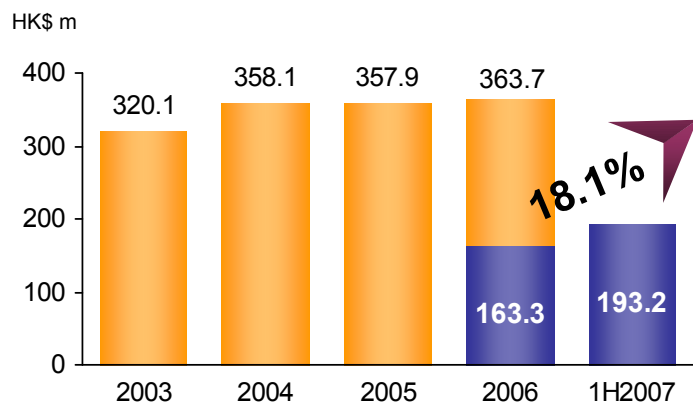
(HK\$ million)	2006	2007	
Turnover	163.6	193.2	+18.1
Gross profit	128.8	161.9	+25.7
Profit before tax	72.8	95.5	+31.1
Net profit	49.4	74.3	+50.4
Interim dividend per share (HK cents)	2.00	5.00	+150
- Basic	1.40	3.00	+114.3
- Special	0.60	2.00	+233.3
Dividend payout* (%)	80.7	134.6	+53.9% pts

*Dividend payout will remain $\geq 100\%$ due to disposal of investment property

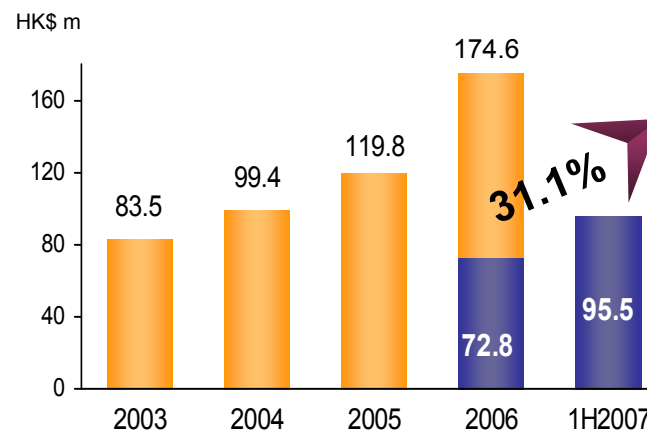


Strong Financial Performance

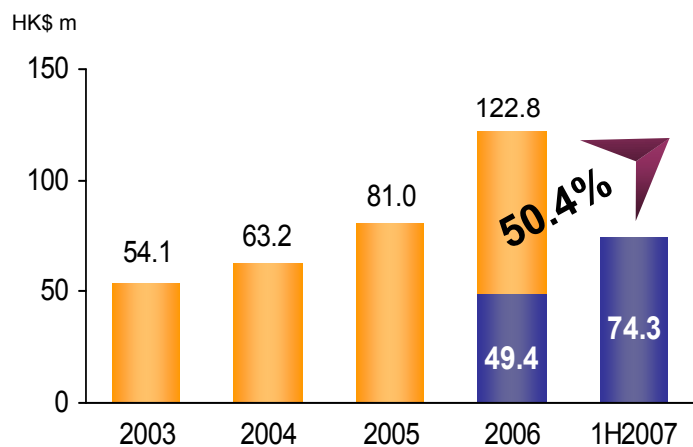
Turnover



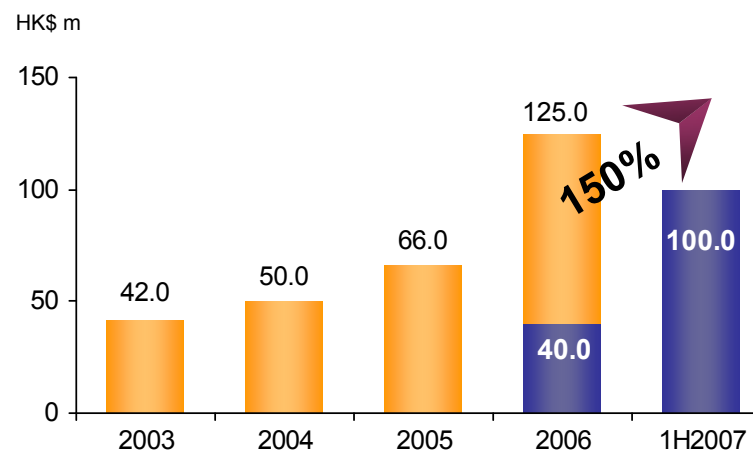
Operating profit



Net income



Dividends





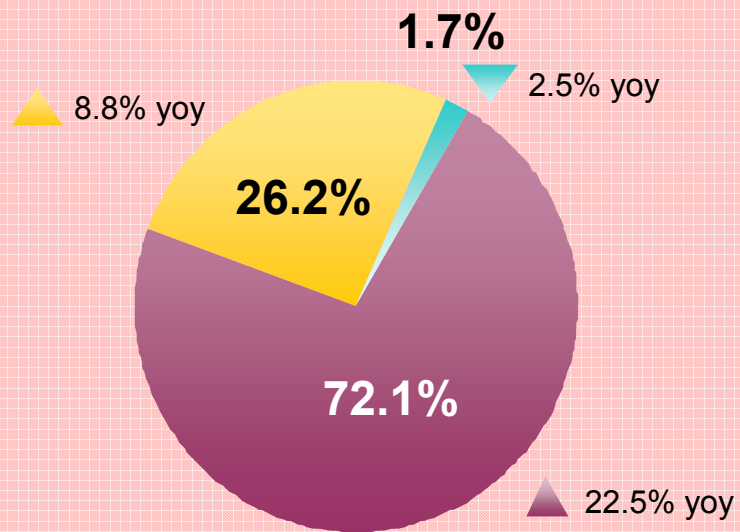
Enhancing Shareholder's Value

	Six months ended June 30		Change %
(HK\$ million)	2006	2007	
Basic EPS (HK cents)	2.48	3.72	+50.0
ROE (%)	12.2	16.9	+4.7% pts
ROA (%)	10.8	14.3	+3.5% pts
Cash (HK\$ million)	260.0	501.4	+92.8
Gearing ratio	Net cash	Net cash	-



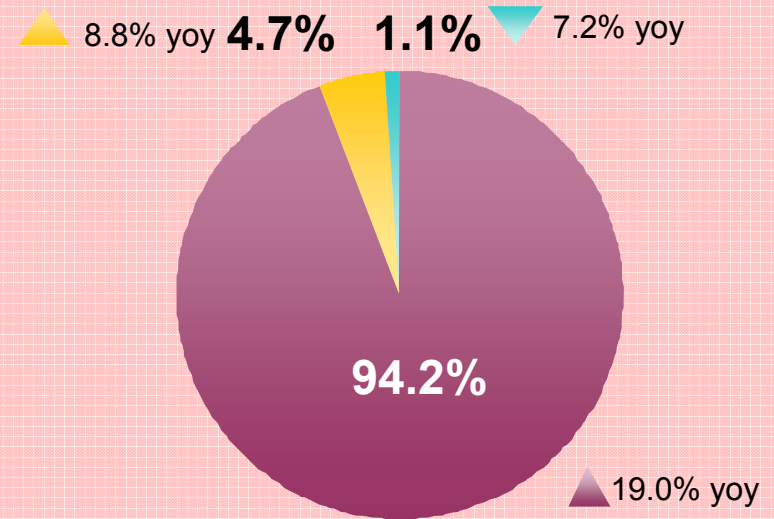
Turnover Analysis for 1H07

By Region



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

By Products/ Service



- Product Sales
- Service Income
- Entrustment income



Average Sales Per Store

► The Group's average sales per store increased by 10.5% yoy to HK\$84,000 in 1H2007 due to:

- Success of the brand revamp program, boosting the average store sales in PRC by 13.9%
- Average store sales in Taiwan registered a 5.7% year-on-year growth from existing spa channel despite a weak economy

Average Sales Per Store

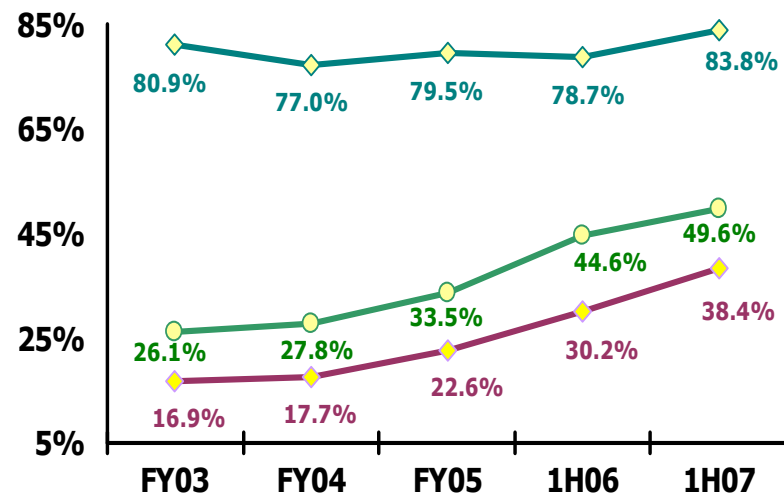
(HK\$)	1H2006	1H2007	(%)
PRC	72,000	82,000	+13.9
Taiwan	87,000	92,000	+5.7
Group Average	76,000	84,000	+10.5



Sustainable Profitability

- ▶ Gross profit margin surged to 83.8%, representing a yoy growth of 5.1 percentage point
- ▶ Net profit margin further increased by 8.2 percentage point due to the improvement in operating & marketing efficiency
- ▶ Gross margin of products increased by 4.3% to 88.7% for the review period

Group's Margin Analysis



- ◆ Gross profit margin
- Operating profit margin
- ◆ Net profit margin



Business Overview

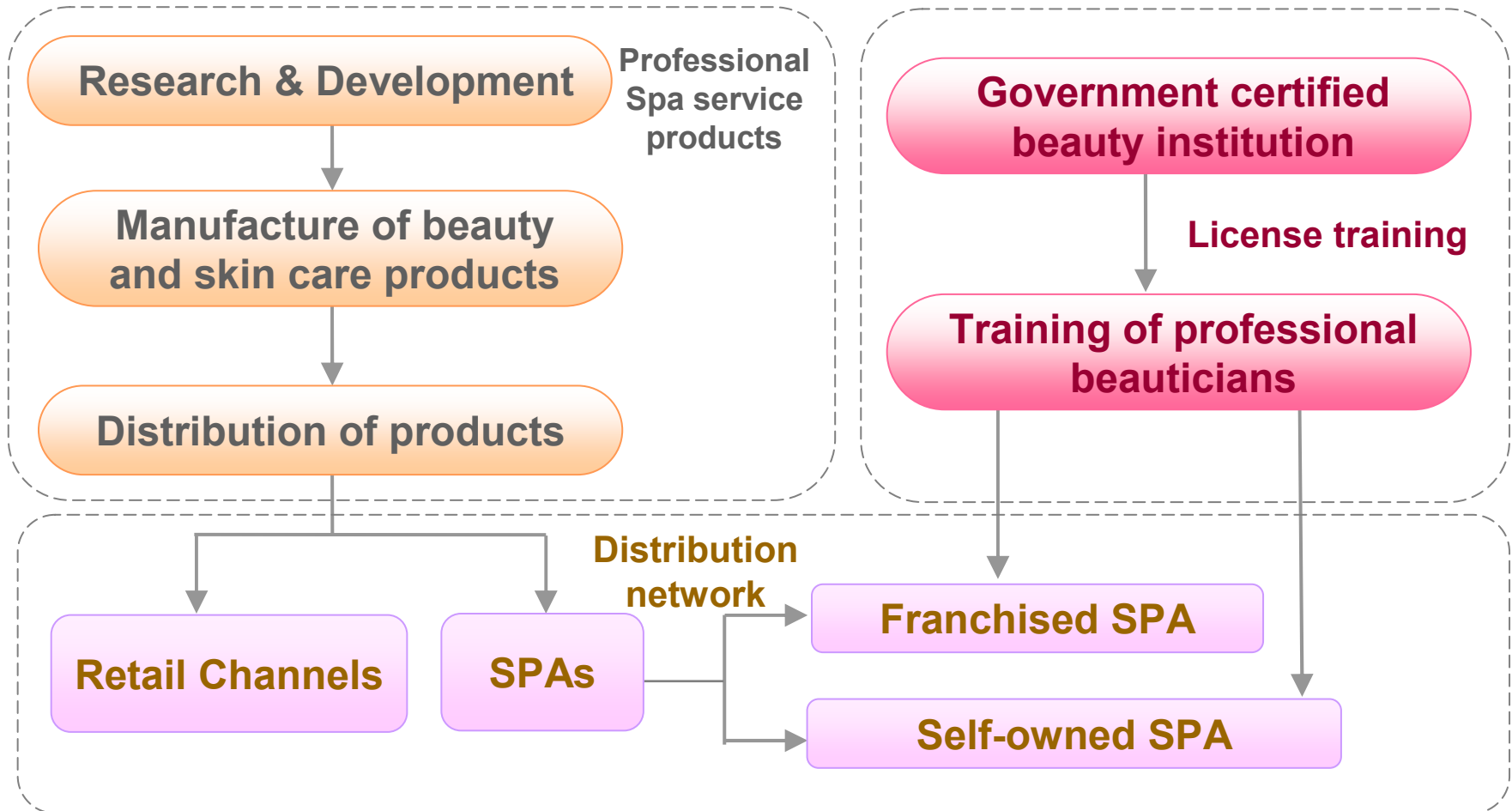


Corporate Positioning

Leading **Beauty & Spa**
Professional Service Product
& Training Provider in Asia



Core Business





Extensive Distribution Network in Greater China

As at 30 June 2007

		Franchisee owned Spas	Entrusted Spas	Counters	Self-owned Spas	Counters
The PRC	1,710	1,613	21	19	5	52
Taiwan*	477	468	-	-	9	-
Others	52	-	-	-	1	-
HK Malaysia		51	-	-	-	-
Total	2,239	2,132	21	19	15	52

*Excluding 1,100 retail distribution outlets



Nationwide Distribution Network in PRC





Renowned Brand

- ▶ 2007 Honor and 2006 Silver Winner of the World's Best Annual Report by International ARC Awards, New York
- ▶ 2007 Best Asia Brand Innovation award
- ▶ 2007 Best Asia Brand Innovative Figure award
- ▶ 2006 and 2005 Outstanding Enterprise in Hong Kong
- ▶ 2006 Bronz Winner of Asia Marketing and Promotion Award
- ▶ 2006 Bronz Winner of Best Asia B2B Events Award
- ▶ 2006 Best Asia Interactive Media Application Award
- ▶ 2005 Top 10 most influential beauty brands in China
- ▶ 2005 Top 10 most influential beauty franchised salons in China
- ▶ 2005 Golin Awards in Corporate Branding / Reputation Management
- ▶ 2005 Best Franchisee Network in China (with the highest consumer recognition rate of 49.7% by 2005 China Beauty Economy Annual Report)
- ▶ 2005 London International Advertising Award
- ▶ 2005 New York Global Longshi Advertising Award
- ▶ 2005 6 Honors for Corporate Identity Design by Hong Kong Designer Award
- ▶ 2005 8 Honors by Asia Times Advertising Creative Award
- ▶ 2005 Asia Pacific Interior Design Award for Central SPA



Strong Profitability in the PRC

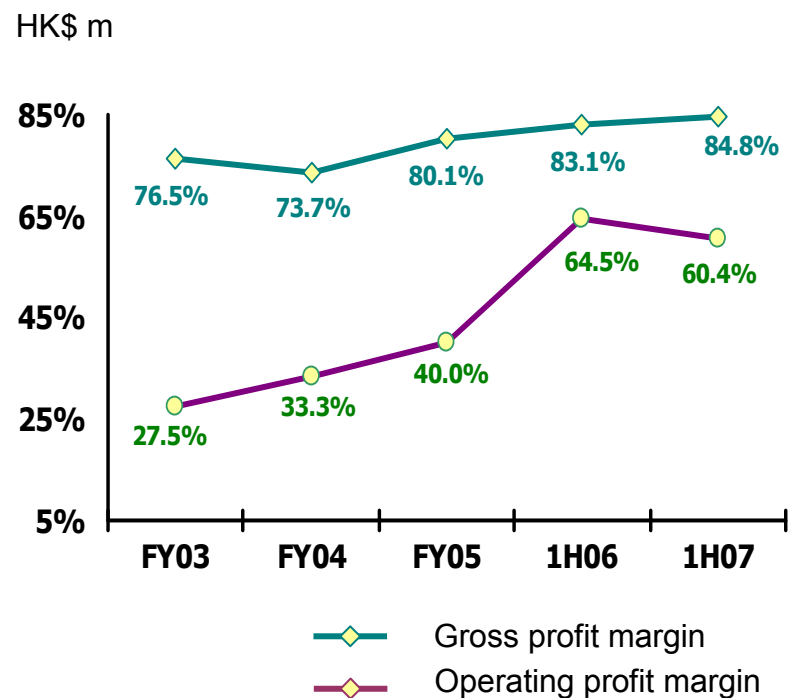
▶ **Product sales increased by 22.5% to HK\$133.0 million**

- Gross margin of product sales grew from 87.0% to 88.2%
- Benefited from the robust China economic growth
- Brand revamping program began to bear fruitful returns

▶ **PRC's net profit surged 32.3% to reach HK\$70.6 million**

- Operating profit before tax increased by 14.6% to HK\$84.1 million
- Entrustment strategy enhanced cost-efficiency
- Received tax refund of HK\$19.7 million

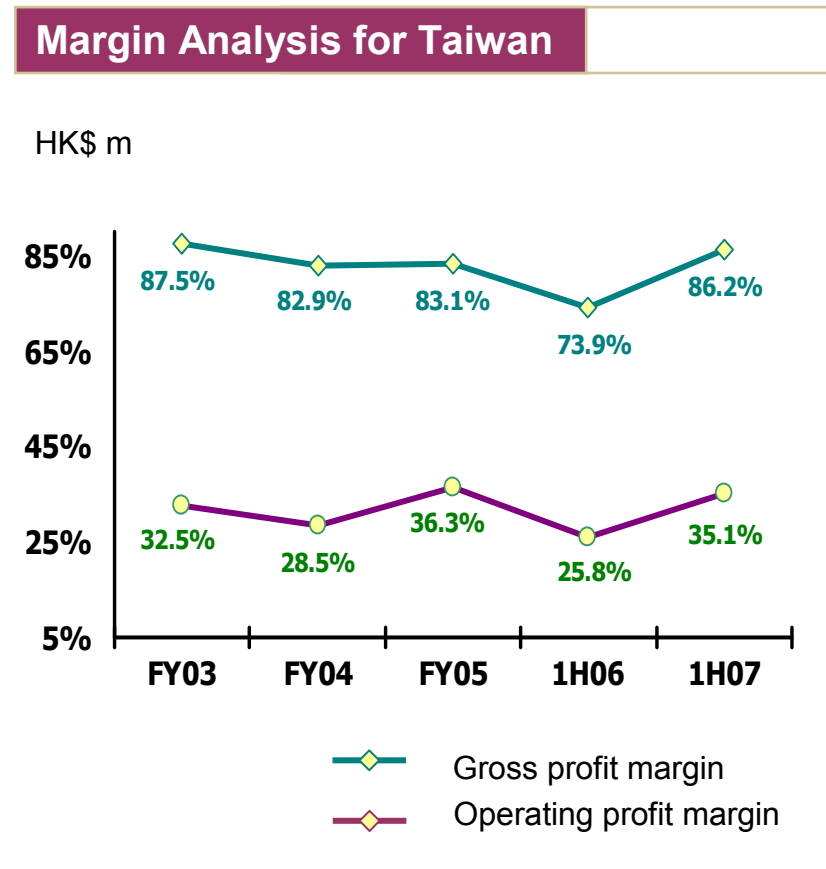
Margin Analysis for PRC





Improved Profitability in Taiwan

- ▶ **Product sales increased by 10.8% despite economic recession, which was mainly attributable to:**
 - HK\$5.4 million product sales from the newly launched retail brand “Fonperi”
- ▶ **Net profit in Taiwan market registered a 64.3% y-o-y growth :**
 - Operating profit before tax surged 48.3% to reach HK\$17.7 million
 - Commenced revamp exercise contributed positively to performance





New Retail Brand “Fonperi” to Capture New Market

- ▶ Retail brand “Fonperi” was newly launched last April in Taiwan market
- ▶ Captured the growing segment of the medium price retail skin-care market
- ▶ Sold via retail channel like hypermarkets, drugstores as well as wholesalers
- ▶ Over 1,100 outlets merchandised the “Fonperi” products, more than 116,000 units sold with a turnover of HK\$5.4 million since launch
- ▶ May be introduced to PRC market in the future



Growth Drivers Summary

▶ Improve Same Store Sales

- Revamp brand, website and shop image (1,646 stores)
- Continued to repackage products to reduce costs and improve profit margin (314 products repackaged)

▶ New Products

- Launched synergetic products such as Fonperi brand (1H 2007: 44 new products)
- Over 62,000 sets/ bottles of NB-1 family products were sold, with a turnover of HK\$48.4 million

▶ Expand Distribution Channels

- Opened 74 stores in 1H2007
- Expanded local distributions, e.g. hypermarket, cosmetic drugstores and wholesalers in Taiwan

▶ Professional Management Team

- Recruited new COO, head of sales and head of marketing for PRC and Taiwan



Q&A