



自然美

natural beauty



Deutsche Bank

Access China Conference 2008

Jan 2008

IR website: www.nblife.com/ir



Business Overview

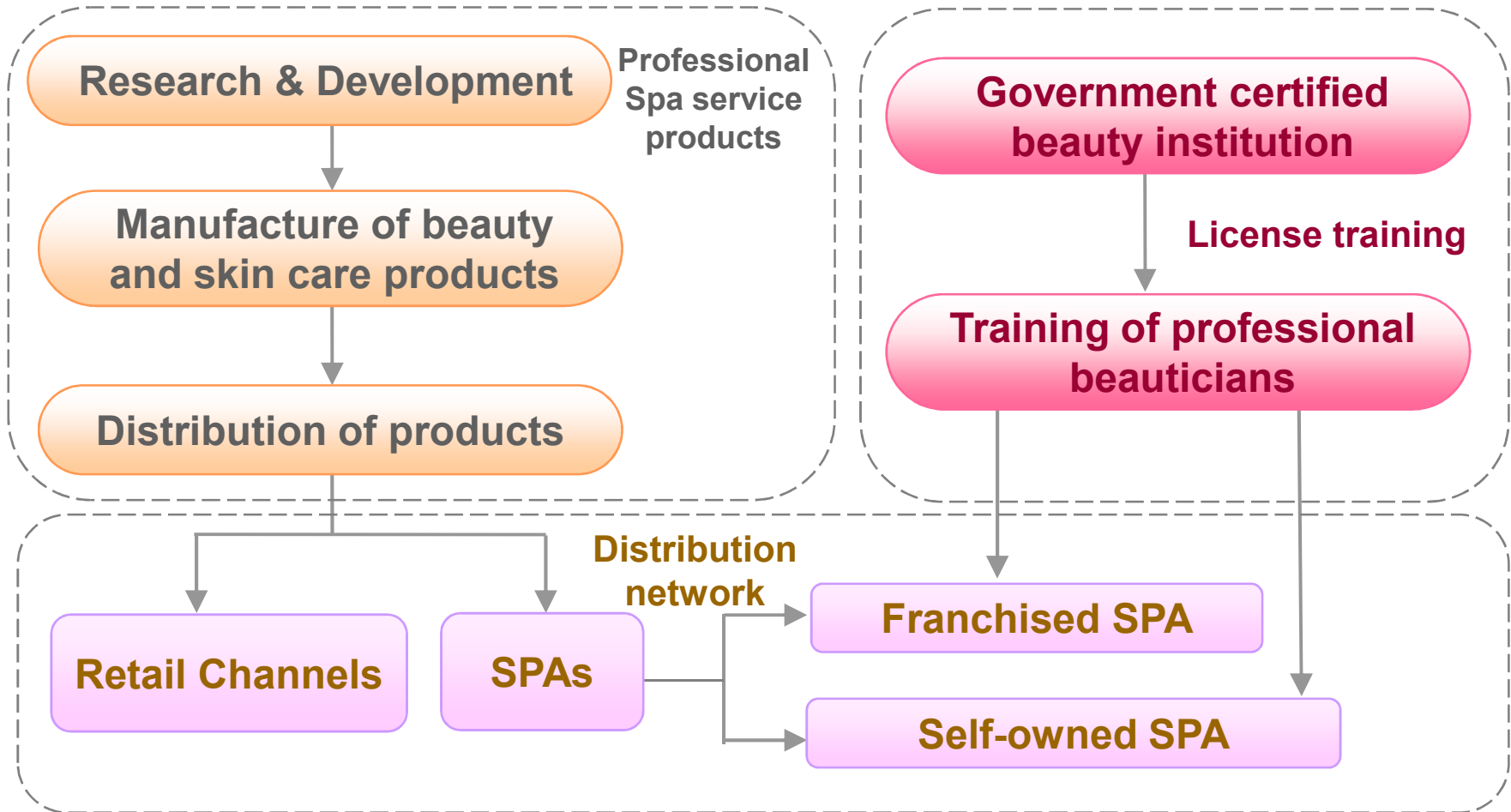


Corporate Positioning

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

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 Lympho 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 Lympho 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





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 %

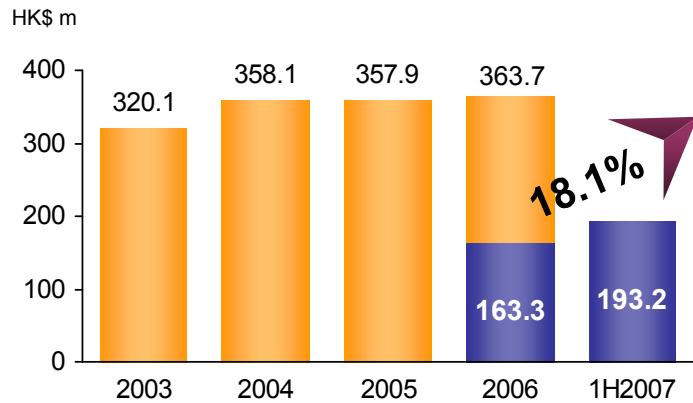
| (HK\$ million) | 2006 | 2007 | |
|--|-------|--------------|-------------------|
| Turnover | 163.6 | 193.2 | +18.1 |
| Gross profit | 128.8 | 161.9 | +25.7 |
| Profit before tax | 72.8 | 95.5 | +31.1 |
| Net profit | 49.4 | 74.3 | +50.4 |
| Interim dividend per share (HK cents) | 2.00 | 5.00 | +150 |
| - 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

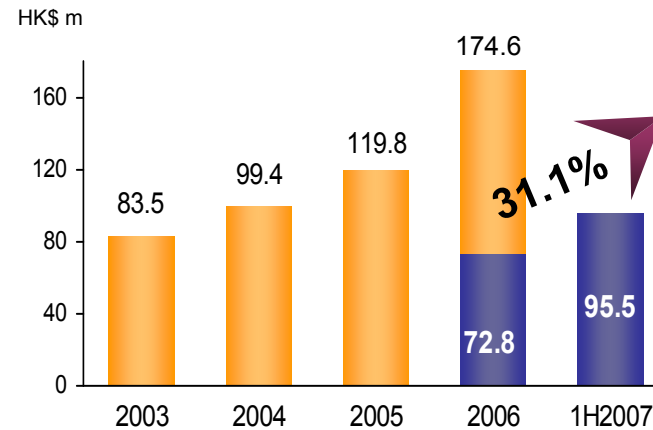


Strong Financial Performance

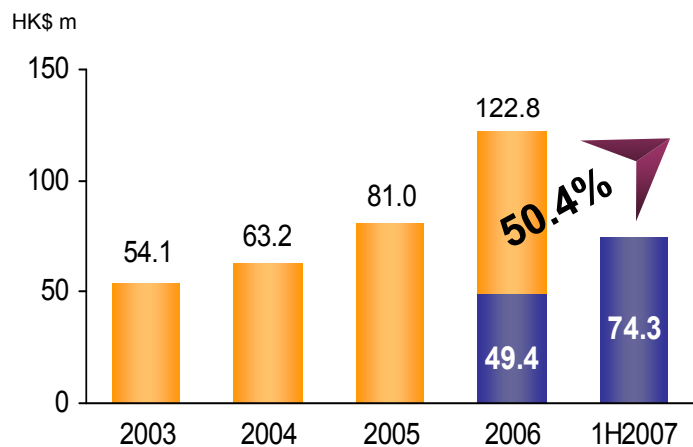
Turnover



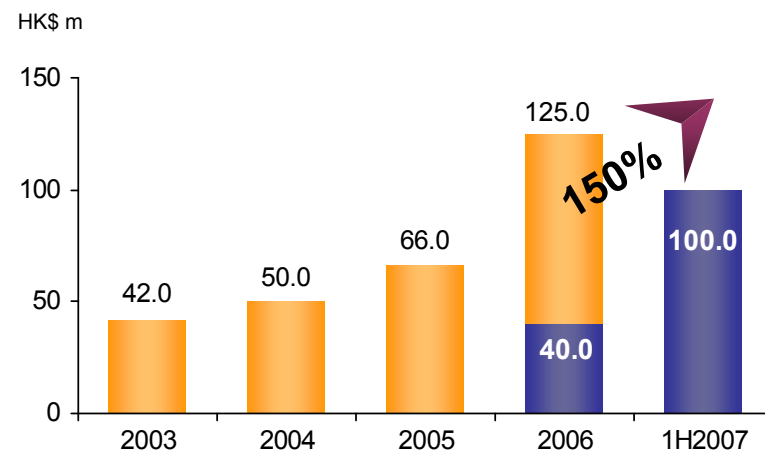
Operating profit



Net income



Dividends





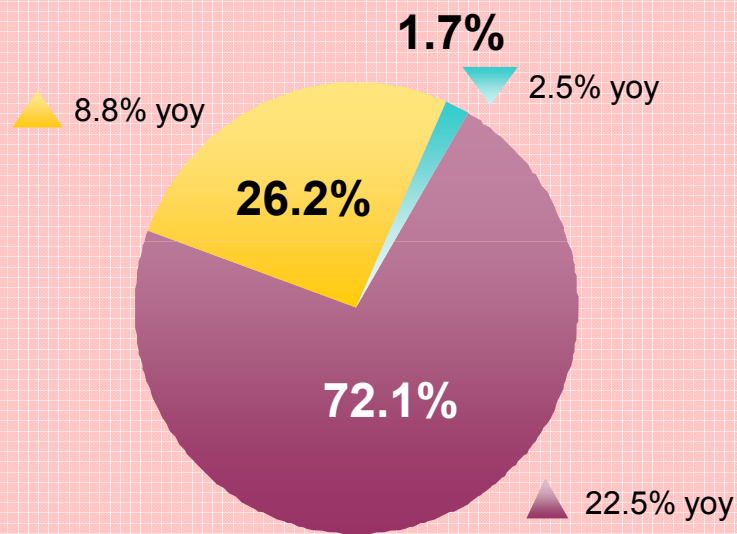
Enhancing Shareholder's Value

| | 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 | - |



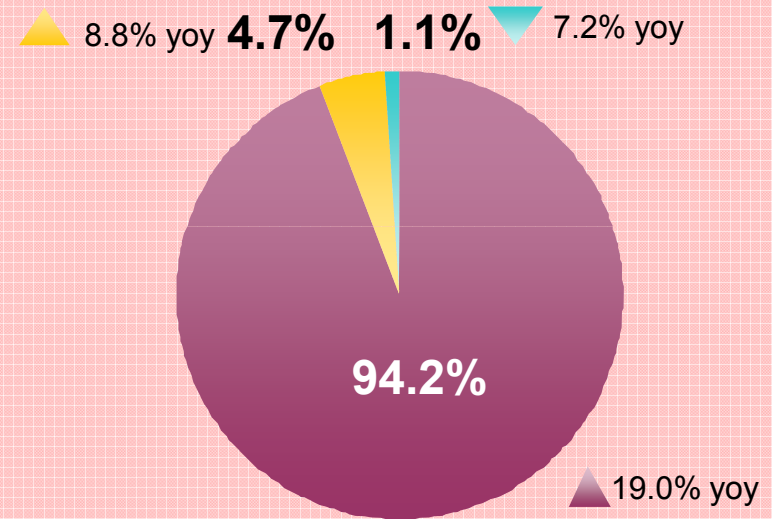
Turnover Analysis for 1H07

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

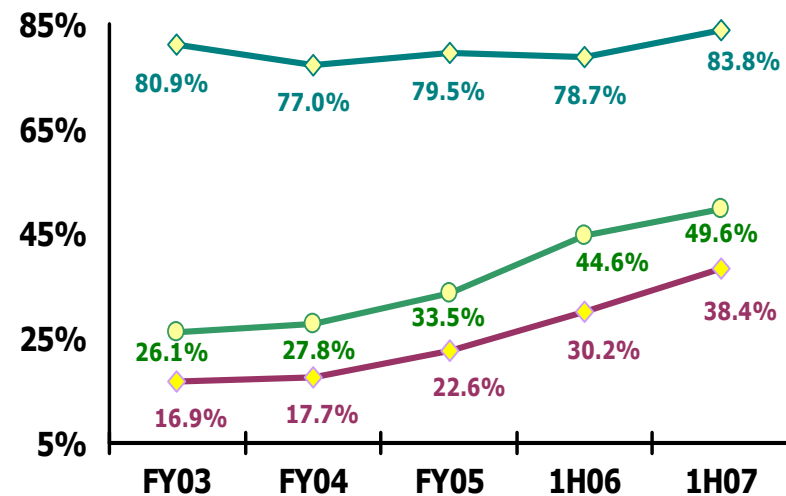
| (HK\$) | 1H2006 | 1H2007 | (%) |
|----------------------|---------------|---------------|--------------|
| PRC | 72,000 | 82,000 | +13.9 |
| Taiwan | 87,000 | 92,000 | +5.7 |
| Group Average | 76,000 | 84,000 | +10.5 |



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



Strong Profitability in the PRC

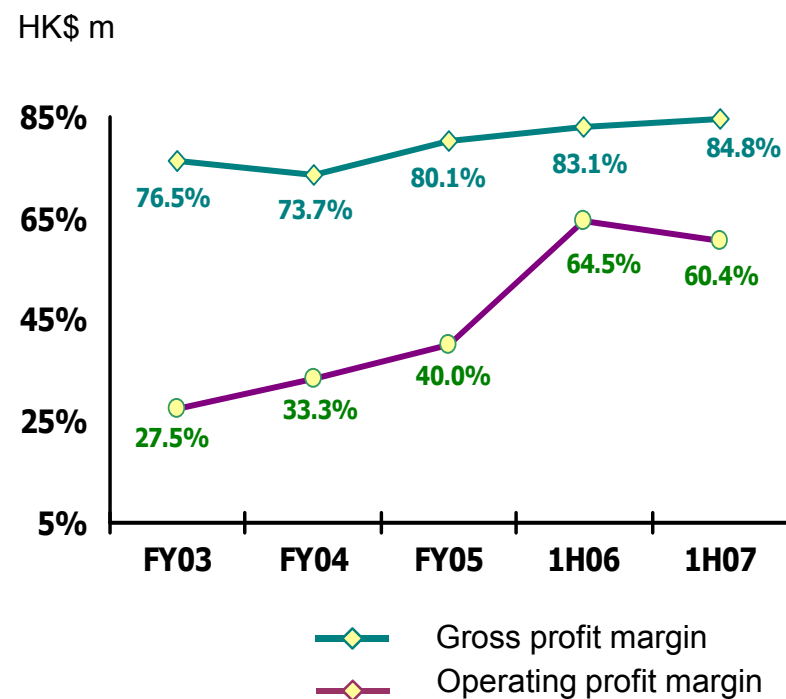
► **Product sales increased by 22.5% to H\$133.0 million**

- 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

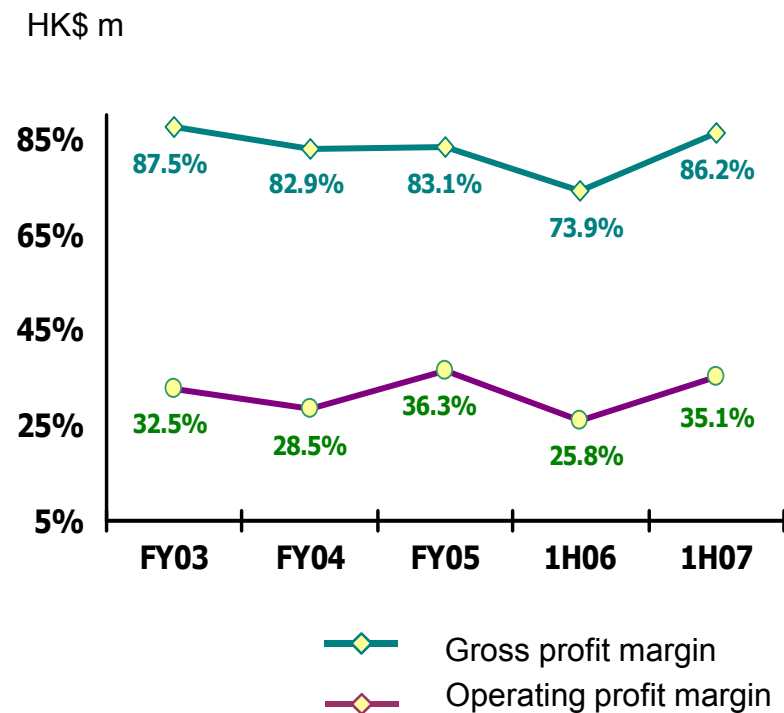




Improved Profitability in Taiwan

- ▶ **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

Margin Analysis for Taiwan





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



Competitive Analysis & Industry Outlooks



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%)

Source: Annual Report on Beauty Economy, 2005; 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)



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!