



2010 Annual Results
March 2011

CHANGE

Agenda

- ◆ Introduction
- ◆ Financial Summary
- ◆ Business Review
- ◆ Retailing Overview
- ◆ Marketing Strategy
- ◆ Operations Review
- ◆ Outlook
- ◆ Open Forum



Financial Summary

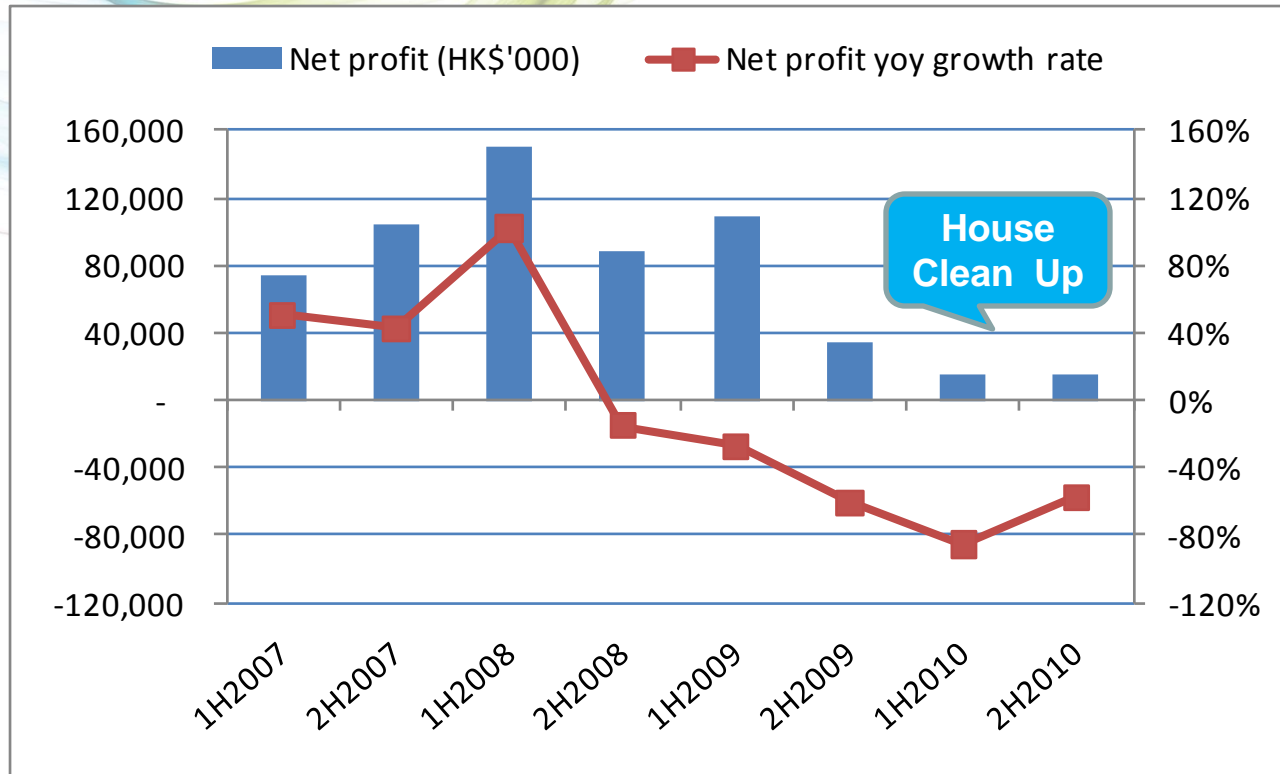
Summarized Results in FY2010

- ◆ Turnover decreased by 9.8% to HK\$485.4million
- ◆ Net profit declined by 78.7% to HK\$30.7 million
- ◆ Gross margin maintained at a high level of approximately 79% excluding non-cash provision for slow moving and obsolete inventory
- ◆ Net cash increased by HK\$16 million to HK\$575.5 million with no borrowing despite dividend of HK\$150 million paid in 2010
- ◆ Final dividend increased by 12.5% to HK\$0.045 per share

Financial Summary

HK\$ Million	For year ended		Chg %
	31 December,	31 December,	
	2009	2010	
Turnover	538.1	485.4	-9.8%
Gross profit	415.2	355.4	-14.4%
Profit before tax	186.8	75.8	-59.4%
Net profit	143.9	30.7	-78.7%
Dividend per share (HK cents)			
- Interim (HK cents)	3.50	3.50	0.0%
- Final (HK cents)	4.00	4.50	12.5%
Dividend payout (%)	100.3	511.7	411.4 pts
Basic EPS (HK cents)	7.50	1.60	-78.7%

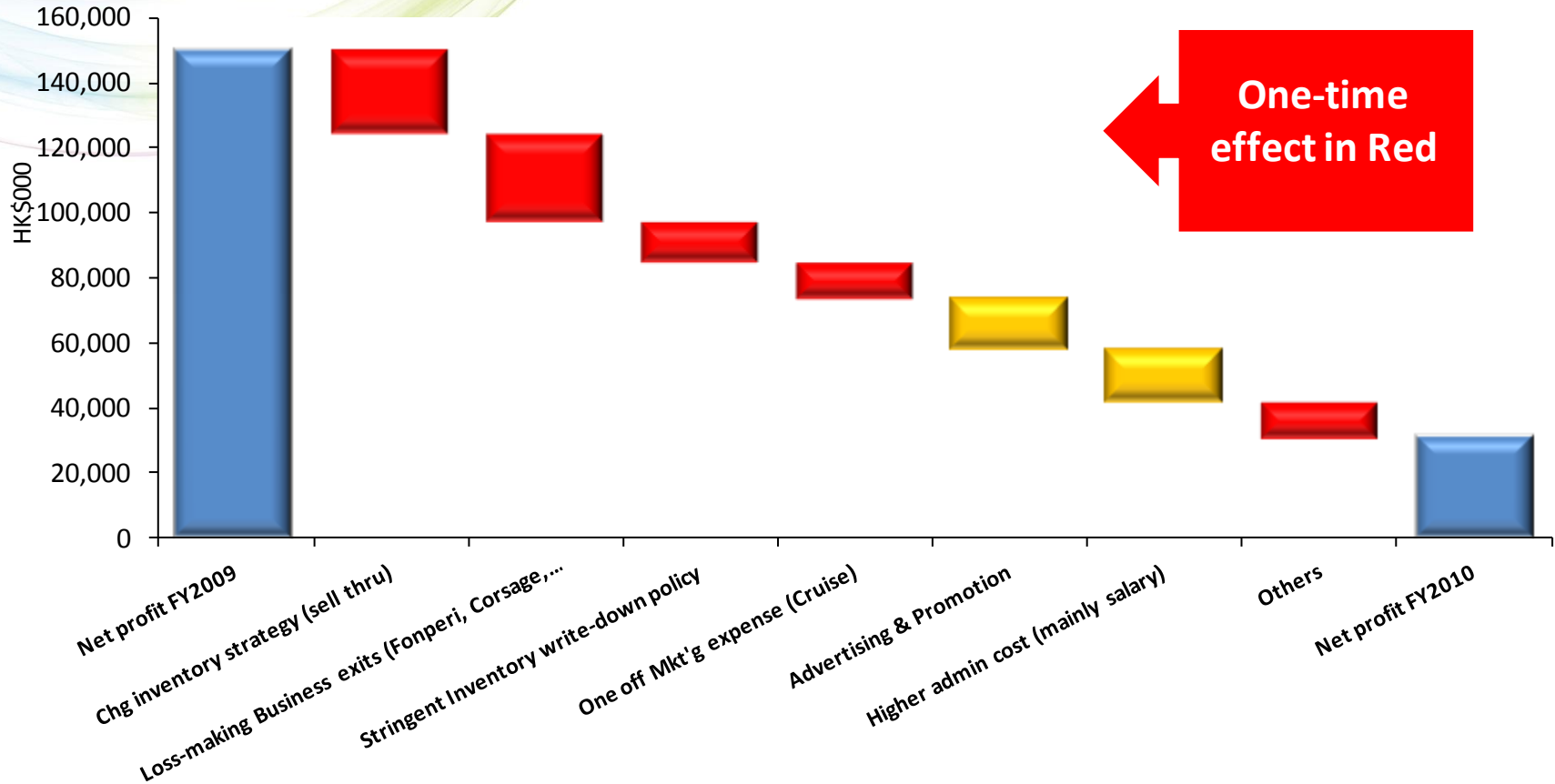
Net Profit Changes



- ◆ Majority of net profit decline in 2010 due to change in trade inventory policy and house clean up including business exits, inventory provision, etc.
- ◆ House clean up exercise completed in Dec 2010.
- ◆ Ready for expansion in 2011 and beyond.

Waterfall Chart – Change in net profit

FY2009 NET PROFIT to FY2010 NET PROFIT



Change in Go-To-Market Strategy

- ◆ Change from Indirect (Key Distributors) to Direct (Franchisees)
- ◆ Change from Sell In focus (to franchisees) to Sell Through focus (to end consumer)
- ◆ Reduce channel inventory to ensure long term success:
 - ◆ Restore market and price order (prevent grey flow)
 - ◆ Quicker response to the market dynamics and change in consumer behaviors
 - ◆ Improve freshness of products to consumers
 - ◆ Improve cash flow of franchisees

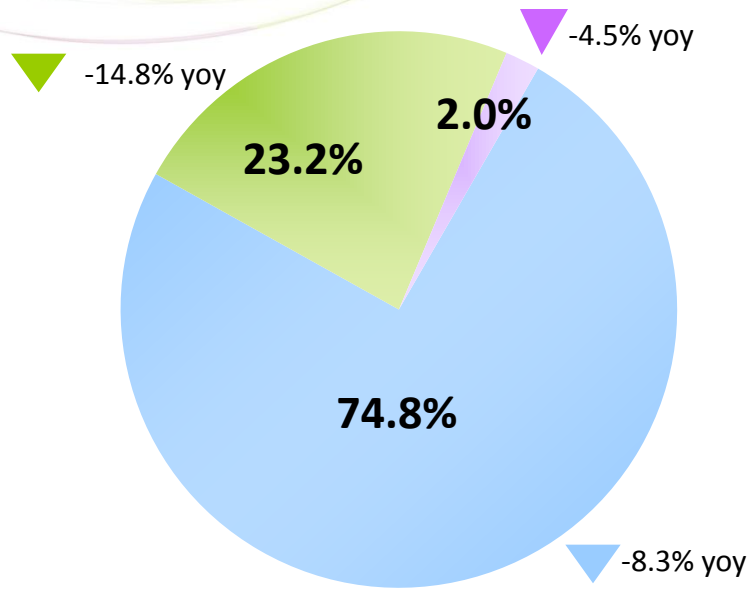
Key Ratios

	For year ended		Chg	Improv't
	31 December,			
	2009	2010		
A/R days	40 days	14 days	-26 days	↑
A/P days	36 days	37 days	1 days	↑
Inventory turnover days	265 days	131 days	-134 days	↑
ROE (%)	17.2	4.0	-13.2 pts	
ROA (%)	15.0	3.3	-11.7 pts	
Cash (HK\$ million)	559.3	575.5	2.9%	↑
Gearing Ratio	Net cash	Net cash	N/A	
Dividend payout (%)	100.3	511.7	411.4 pts	↑
Basic EPS (HK cents)	7.48	1.56	-79.1%	

Cash represents 61.2% of total assets as of 31 December 2010.

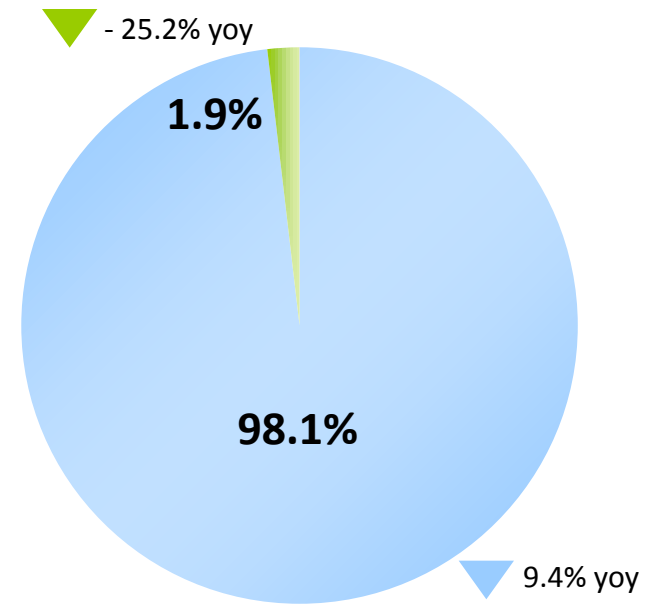
Turnover Analysis for FY2010

By Region



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

By Products / Service



- Product Sales
- Service Income

Distribution Network in Greater China

As at 31 Dec 2010

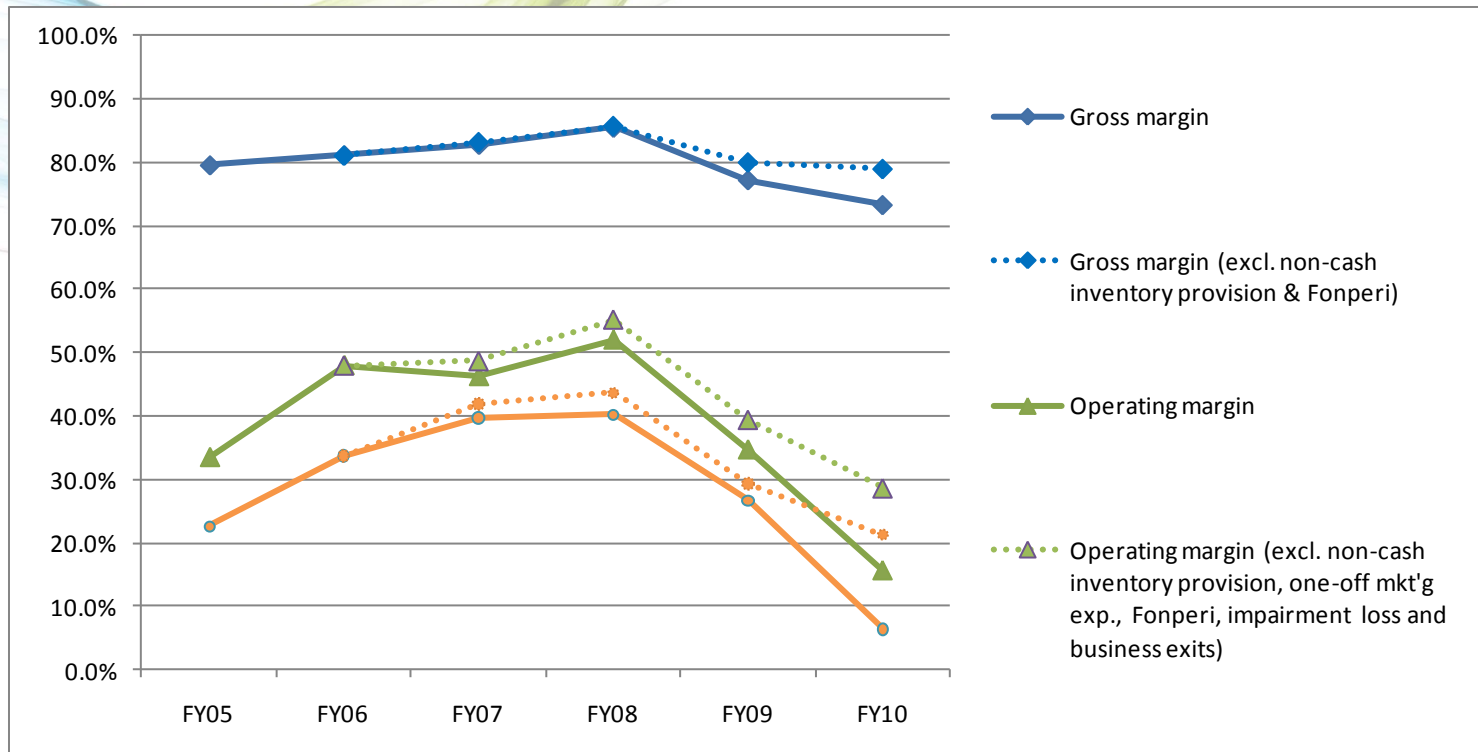
		<i>Franchisee owned Spas</i>	<i>Entrusted Spas Counters</i>		<i>Self-owned Spas Counters</i>		
The PRC		1,085	1,034	-	14	4	33
Taiwan		355	348	-	-	7	-
Others	HK		-	-	-	-	-
	Macau	34	-	-	-	1	-
	Malaysia		33	-	-	-	-
Total		1,474	1,415	-	14	12	33

Average Sales Per Store

- The Group's average sales per store rose by 6.1% to HK\$312,000 in FY2010 despite:
 - The number of stores decreased as a result of eliminating non-compliant stores to ensure the service quality
 - Decrease in product sales
- Average store sales in PRC grew by 8.5% yoy
- Average store sales in Taiwan dropped by 2.3% yoy

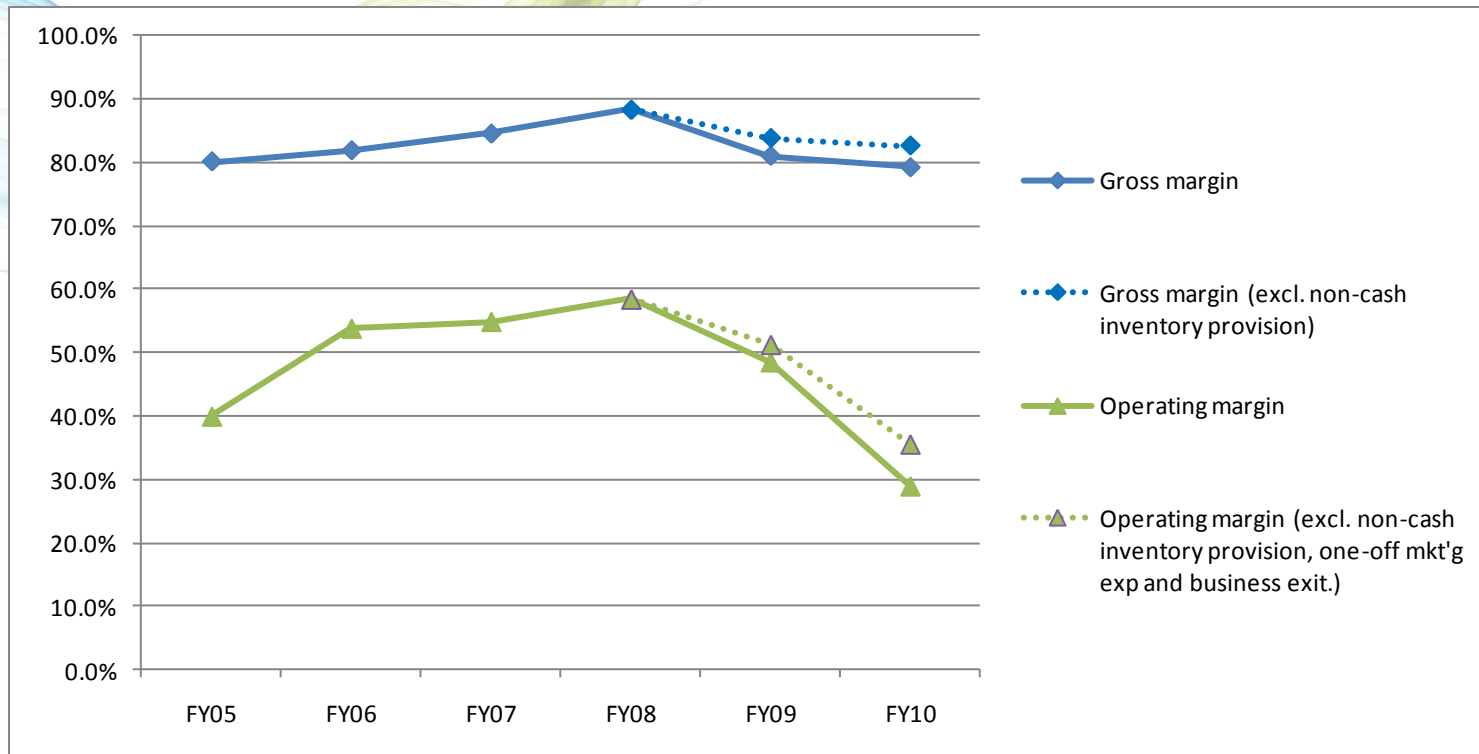
Average Sales Per Store			
(HK\$)	FY2009	FY2010	Chg (%)
PRC	293,000	318,000	8.5%
Taiwan	299,000	292,000	-2.3%
Group Average	294,000	312,000	6.1%

Group Profitability



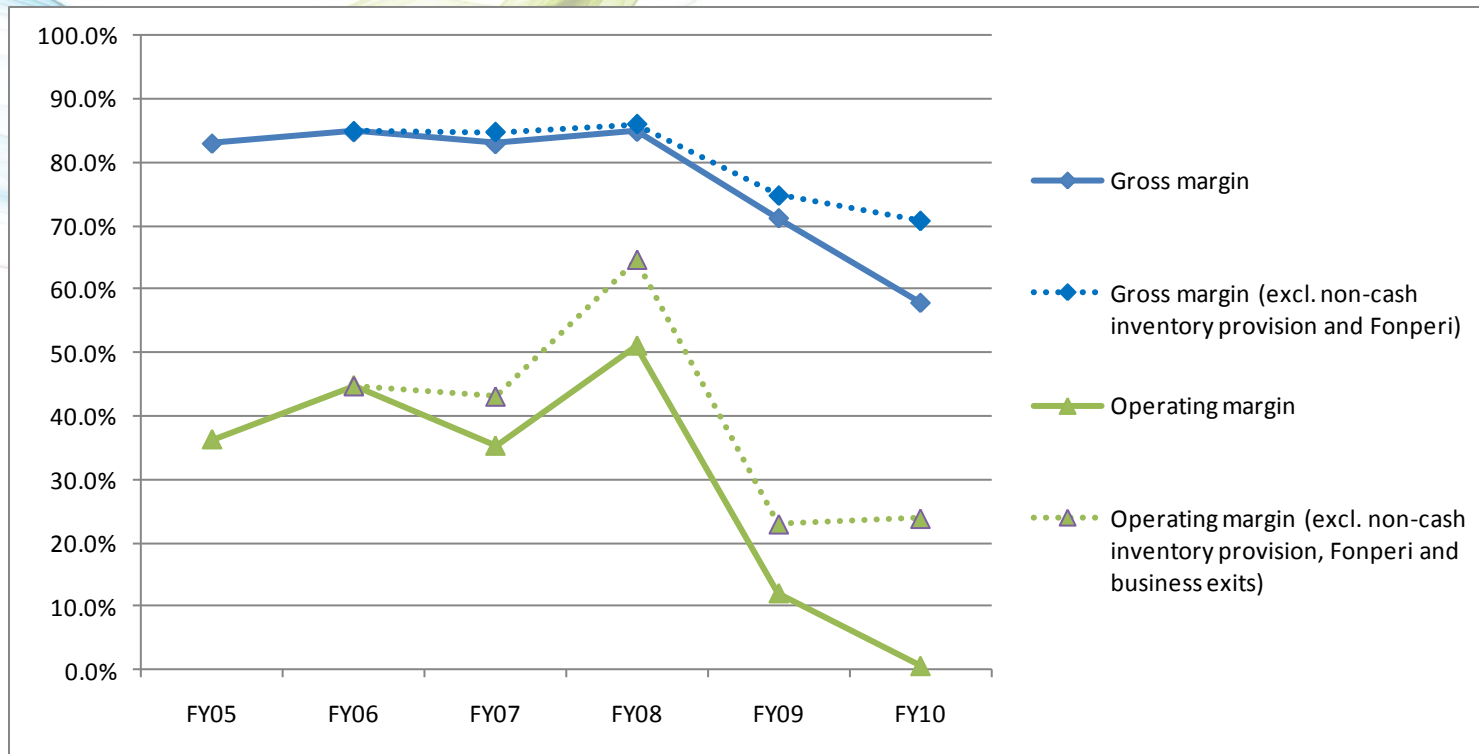
- ◆ On normalized basis, the gross margin is in line with last year, reflecting the stoppage of the price erosion from 2008
- ◆ Lower operating margin mainly due to:
 - Lower revenue as a result of change of trade inventory strategy as we focus on sell through to the end consumer instead of sell in to franchisees to ensure long term profitability
 - Higher A&P expenses and admin cost (staff cost)

PRC Profitability



- ◆ On normalized basis, the gross margin is in line with last year, reflecting the stoppage of the price erosion from 2008
- ◆ Lower operating margin mainly due to:
 - Lower revenue as a result of change of trade inventory strategy as we focus on sell through to the end consumer instead of sell in to franchisees to ensure long term profitability
 - Higher A&P expenses and admin cost (staff cost)

Taiwan Profitability



- ◆ Gross margin erosion tended to stabilize in 2010. Loss-making business and spas were closed in 2010.
- ◆ Operating margin of core business was in line with 2009.



Business Overview



Strategic Objectives

Become the **No.1** national beauty salon chain in China, in store growth, brand image and attractiveness for franchisees

Recognized as
“Total Skincare Solutions Expert”

Five Year Plan

- ◆ Require

- Business model
- Organization
- Infrastructure

- ◆ We will execute our strategy in phases

- 2010 Preparation and set up
- 2011 & 2012 Rapid roll out in China
- 2013 & 2014 International expansion

2010 Execution Highlights

- Complete the 5 year business plan
- Build the team and infrastructure
- Conduct house cleanup for better future profitability:
 - Business exit of Fonperi , Corsage and self-owned Clinics in Taiwan
 - Closedown of 6 money losing SPAs
 - Clean-up of non-performing franchisees
- Improve working capital efficiency like Inventory and A/R resulting in over HK\$100M cash generated
- Establish industry and consumer insight for benchmarking
- Design and test new store format with successful rollout of 80 New Concept Stores
- Redefine marketing strategies and brand positioning

Strategic Partnership with Carrefour

- ◆ Strengthened the strategic cooperation relationship with Carrefour Group in China
- ◆ To encourage franchisees to lease in Carrefour hypermarkets and shopping malls for retail operation under the brand of “Natural Beauty”
- ◆ As of the end of 2010, 10 NB stores were opened





New Concept Store (NCS)

New Concept Store (NCS) Development

1st May, 2010

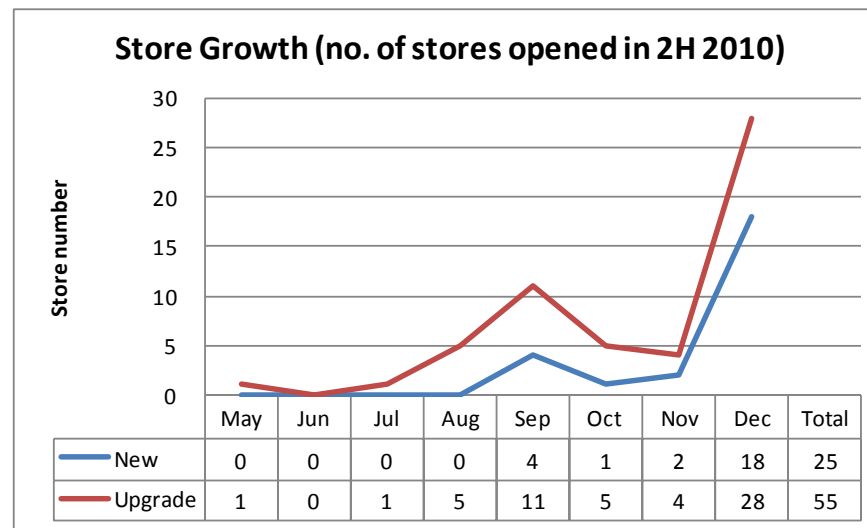
- NCS Pilot Test in Xian

Aug, 2010

- Rolled out NCS in China

31st Dec, 2010

- 80 NCS opened in China





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自然美上海店
开业特惠

- 1. 全场护肤品 8折
- 2. 全场美容项目 8折
- 3. 全场美体项目 8折
- 4. 全场SPA项目 8折
- 5. 全场美甲项目 8折
- 6. 全场美发项目 8折
- 7. 全场彩妆项目 8折
- 8. 全场香水项目 8折
- 9. 全场护肤品项目 8折
- 10. 全场美容项目 8折
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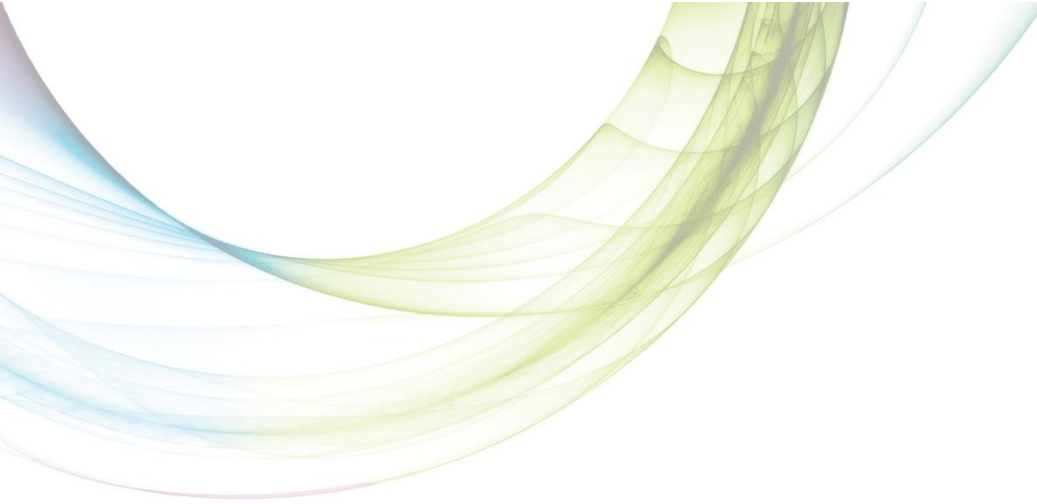
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自然美

自然美

NCS Key Learning

- Total sell-in increased by 44% vs Non-NCS -6%
- Total sell-thru increased by 49% (Data provided by franchisee)
- Shortened franchisee pay back period:
 - New store : from 48-60 months to 27–36 months
 - Upgrading store : 3-6 months
- Attract more walk in & younger customers
 - Average 22 new walk in consumers per month @ 28% conversion rate
 - Age between 20 to 35



NCS in Carrefour

美容·美体·SPA



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natural beauty



natural beauty



natural beauty



natural beauty



Oriental Herbal

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美容 美体 SPA

Oriental Herbal NB-1 BIO



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美容·美体·SPA



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Supplements

Oriental Herbal

安全出口



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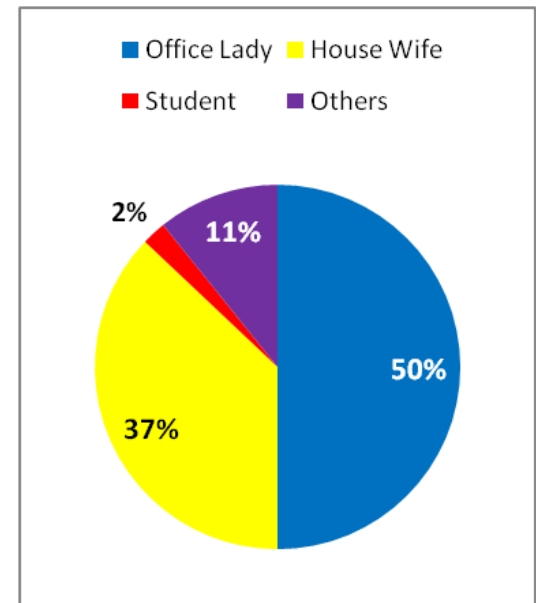
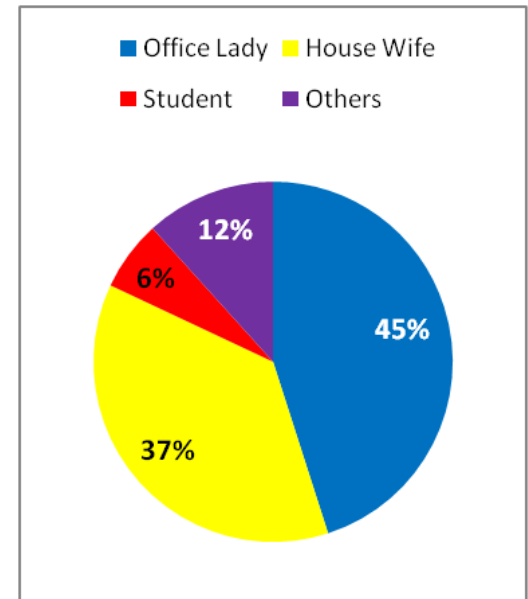
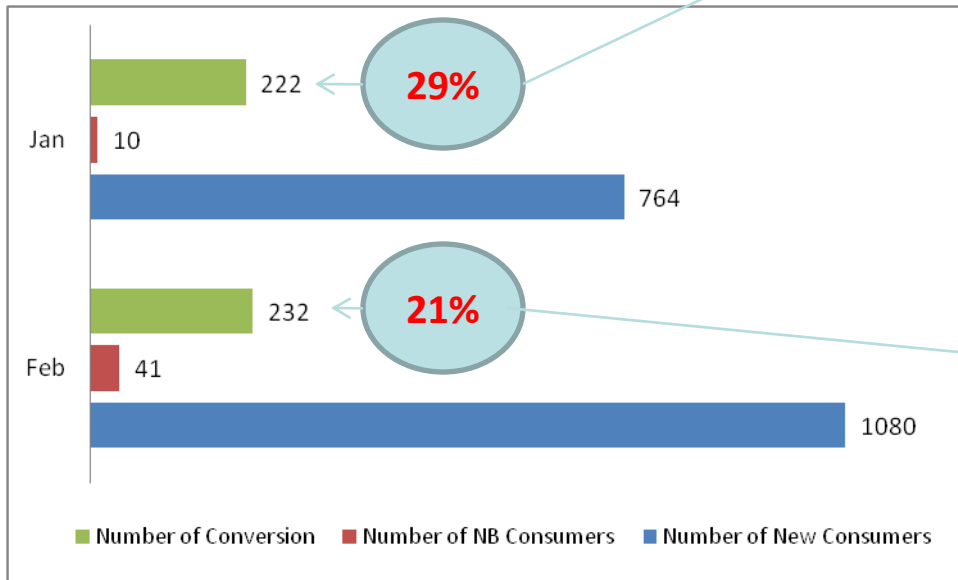


Business Objectives of NCS in Carrefour

- To create new touch points
 - High Traffic retail store to drive more business
- Quick expansion
 - With exclusive right to penetrate into 180 Carrefour in China
- Establish “ Retail + Service “ store concept (Hub & Spoke)

NCS performance in Carrefour

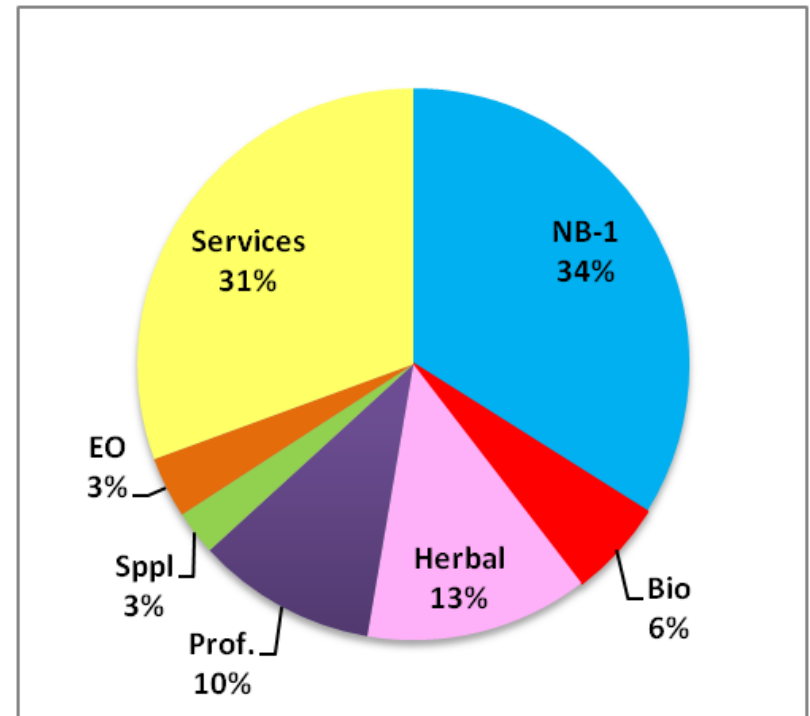
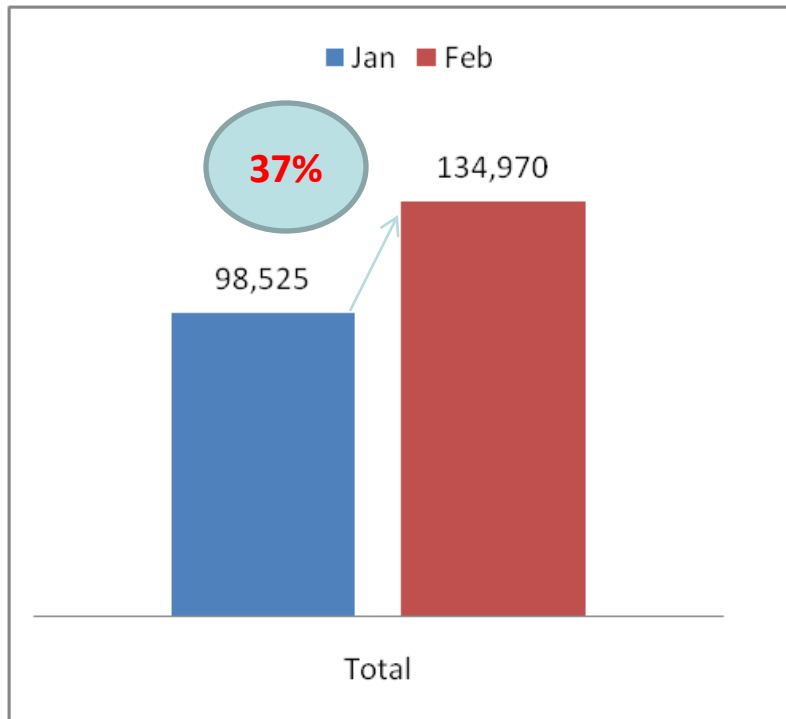
- High Traffic Retail Environment
 - Over 1800 new walk in consumers in 10 Carrefour in two months period of time
 - High conversion rate at over 24%
- Consumer Profile
 - 48% of White Collar
 - 37% of House Wife



Data: First 10 Carrefour stores sell-thru data for Jan & Feb

NCS performance in Carrefour

- Strong sell-thru growth momentum at 37% growth rate.
 - Still under new store ramp up period (only two months retail operation periods)
- Higher NB1 Product Mix than National Average
 - Performance of NB1 and Services exceed the expectation



Data: First 10 Carrefour stores sell-thru data for Jan & Feb



Marketing Strategy

2010 Strategic Imperatives

Executive Summary

Rebuild Marketing Strategies

- Implement new pricing structure to improve store penetration
- Build new promotion strategies to reward franchisees and drive sell- thru
- Streamline portfolio and build power brands via advertising and promotion

Improve Brand Image and Awareness

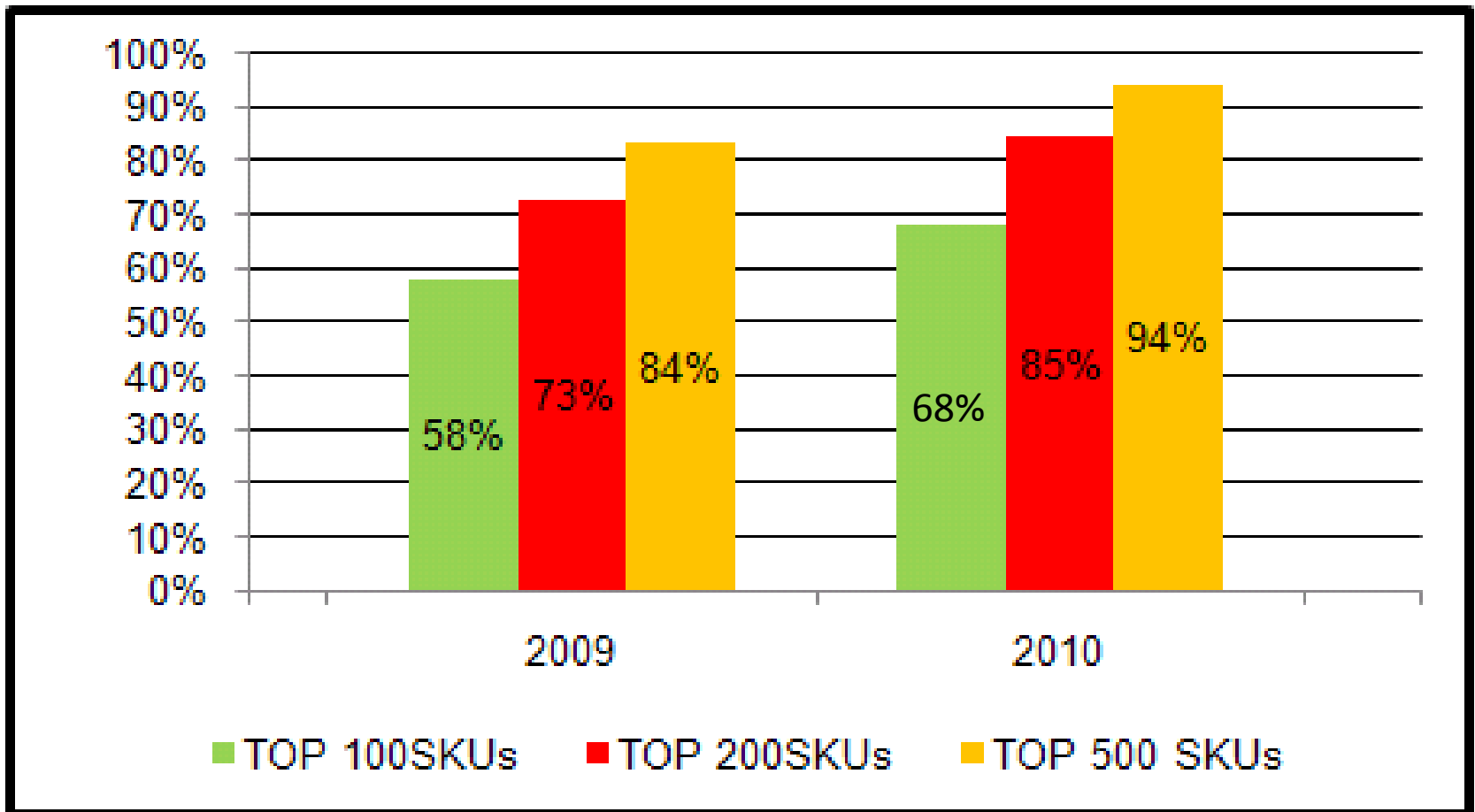
- Develop new advertising strategies and media mix to drive brand awareness
- Pilot digital marketing to build platform for direct consumer interaction
- Launch word-of-mouth marketing via digital PR to build pool of Key Opinion Leaders

Re-define Brand Positioning

- Positioned as functional beauty salon
- Brand differentiation focus on product efficacy, “therapy” process and scientific skin care/ iris consultation and tracking

2010 Key Achievements – Portfolio Optimization

- Delist of Corsage line and non core SKUs; re-focus investment on skin care category
- Top 100s' mix increased from 58% to 68%. Top 200s' represented 85% of total sales



2010 Key Achievements – Improve Awareness

- Re-build brand image and awareness through 3 bursts of product re-promote campaign, advertisement and PR event



2010 Key Achievements – Improve Awareness

- Re-build brand image and awareness through 3 bursts of product re-promote campaign, advertisement and PR event

< 周末画报 > SIZE: 550mm(W) x 381mm(H) 每边出血5mm

平衡之美

Balance & Beauty

平衡的力量, 给予女人由内而外的美
平衡的力量, 来自身体, 源于自然
探寻自然美的平衡之道, 发现平衡之美

三十多年来, 自然美研发团队一直致力于“自然美容术”的研究, 在美容技术和功效的研究中, 专家们发现, 皮肤作为有重要功能的器官, 也需要源源不绝地补充营养, 才能维持正常的新陈代谢, 通过一次次的科学验证, 自然美专家们创立了崭新的美颜理论。

内外平衡美容法:
一边用护肤品从外护理肌肤, 一边用营养补充食品从内直接补充肌肤所需营养, 从而提高肌肤细胞的健康更新, 达到肌肤的理想状态。

自然美山药胶原蛋白组合 内调外养平衡肌肤美
“山药”在日本被称为天然的青春不老药, 墨西哥山药更是山药中的极品, 它含有丰富的植物性 DHEA 是各种荷尔蒙基本物质, 有促进荷尔蒙的合成作用, 修护真皮层胶原蛋白, 提升肌肤保湿功能, 改善肌肤干燥紧绷等问题, 自然美山药胶原蛋白组合产品成份萃取自高品质墨西哥山药及大豆等纯天然植物精华, 结合生化科技解决因荷尔蒙不足引起的各种美容问题, 内外结合有效改善皮肤粗糙, 干燥, 缺乏光泽, 黑眼圈及皱纹, 让肌肤迅速回复光滑。

美于外:
自然美山药胶原蛋白 + 山药胶原蛋白从外即能持续技术水分子的平衡, 高效保湿活肤, 改善皮肤因荷尔蒙流失引起的干燥, 粗糙, 松弛和皱纹等问题, 让肌肤重现娇嫩细腻。

养于内:
自然美山药胶原蛋白 + N-1 青春胶原蛋白复合基因工程高科技健康食品, 从内部平衡体内荷尔蒙, 采用先进 TAR5 传导技术, 让成份更快吸收, 数十种氨基酸序列排列, 多肽生化组合, 调节生理机能, 使青春永驻。

自然美山药平衡系列

专家推荐

黄川原 台湾资深执业医师

- 台湾医美医学会常务理事
- 台北市化学美容治疗中心主任兼执行长
- 台湾中华美容自然医学学会常务理事
- 自然医学与预防医学专家

外环境恶化
随着生活节奏的加快, 社会, 心理压力的不断增加, 使肌肤经常处于紧张, 竞争等疲劳状态, 身体容易出现机能失调或减退, 若细胞结构老化加快, 大部分女性都存在亚健康状态, 及时调整生理机能, 恢复平衡的健康, 美丽状态是十分重要的。

内环境失调
研究发现, 荷尔蒙之母, DHEA 是人体内超过五十多种荷尔蒙的前驱物, 一般在 20-30 岁达到巅峰, 此后随着年龄增长, 皮肤肌肤光泽, 弹性, 含水量也减少, 由于荷尔蒙分泌的大幅改变, 荷尔蒙性激素及黄体素的分泌不足, 胶原蛋白合成减缓, 皮肤的弹性与保水力也开始变差, 皮肤细胞皱纹产生加速皮肤老化, 区别于人工合成的动物荷尔蒙补充方式, 自然美山药胶原蛋白平衡组合产品能解决因体内荷尔蒙不足引起的相关肌肤问题, 并且更为高效和安全。

其它平衡美妆组合推荐

肌肤问题: 干燥, 粗糙, 松弛, 皱纹
推荐: N-1 胶原蛋白组合 + N-1 青春胶原蛋白复合基因工程食品, 重点“塑”脸!

肌肤问题: 暗沉, 堵塞, 长痘, 黑头
推荐: N-1 保湿美白组合 + N-1 酵母 C 复方胶囊
由内而外提高保湿美白, 击退“白褐斑”!

肌肤问题: 脆弱, 泛红, 敏感
推荐: N-1 保湿美白组合 + N-1 胶原蛋白复合基因工程食品
肌肤修护“5”护理, 真正“不刺激”!

肌肤问题: 粉刺, 黑头, 毛孔粗大
推荐: N-1 细致毛孔组合 + N-1 乳铁蛋白复合基因工程食品
肌肤多人之烦恼, 深睡“无粉刺”!

本品即可获得免费肌肤检测, 自然美专业美容师将给您个人“美丽状态”实际需求, 量身搭配美丽平衡组合

欲探索更多平衡美故事, 请登陆 www.nblady.com

2010 Key Achievements – Digital Marketing

- 2 bursts of mini-site to build platform for direct consumer inter-action thru on-line skin care and iris consultation, product education and testimonials

nb1.cn.com



2010 Key Achievements – Digital Marketing

- 2 bursts of mini-site to build platform for direct consumer inter-action thru on-line skin care and iris consultation, product education and testimonials

nblady.cn.com

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发现

平衡之美

平衡 给予女人由内而外的美
平衡 来自身体，源于自然
探寻自然美平衡之道。

[现在开售](#)

发现你的平衡之美

臻礼尊享
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2010 Key Achievements – Digital PR

- Build pool of top bloggers to support NB's WOM marketing thru product education and brand experience to recruit new consumers



2011 Strategic Imperatives

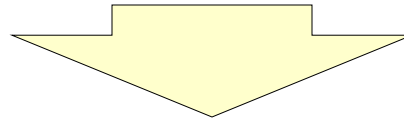
Building Blocks

**Re-define
Marketing**

**Drive channel
growth**

**Focused
investment
strategy**

**New
communications
programs**



- **Portfolio management:** drive NB-1 and Bio-tech to improve margin; expand Herbal to drive business in secondary markets ; CRM to improve penetration of Supplements
- **Pricing:** maintain current pricing and rebate structure to drive store penetration
- **A&P:** Focus on power brand building via digital marketing and PR
- **Channel:** Tier promotion and portfolio mapping to drive city and channel expansion
- **Investment strategy:** only in NB town with > 50% NCS stores penetration or >30 NCS
- **New Communications:** new packaging and visual merchandising materials to be implemented in 2H; first burst new advertising and PR campaign launched in Mar



Operations Review

House Clean-up and Infrastructure Building in 2010

Exit from Money-losing Businesses

- Exit from money-losing Fonperi and Corsage businesses
- Closedown of 6 money-losing SPAs
- Clean-up of non-performing franchisees

Improvement to Asset Efficiency

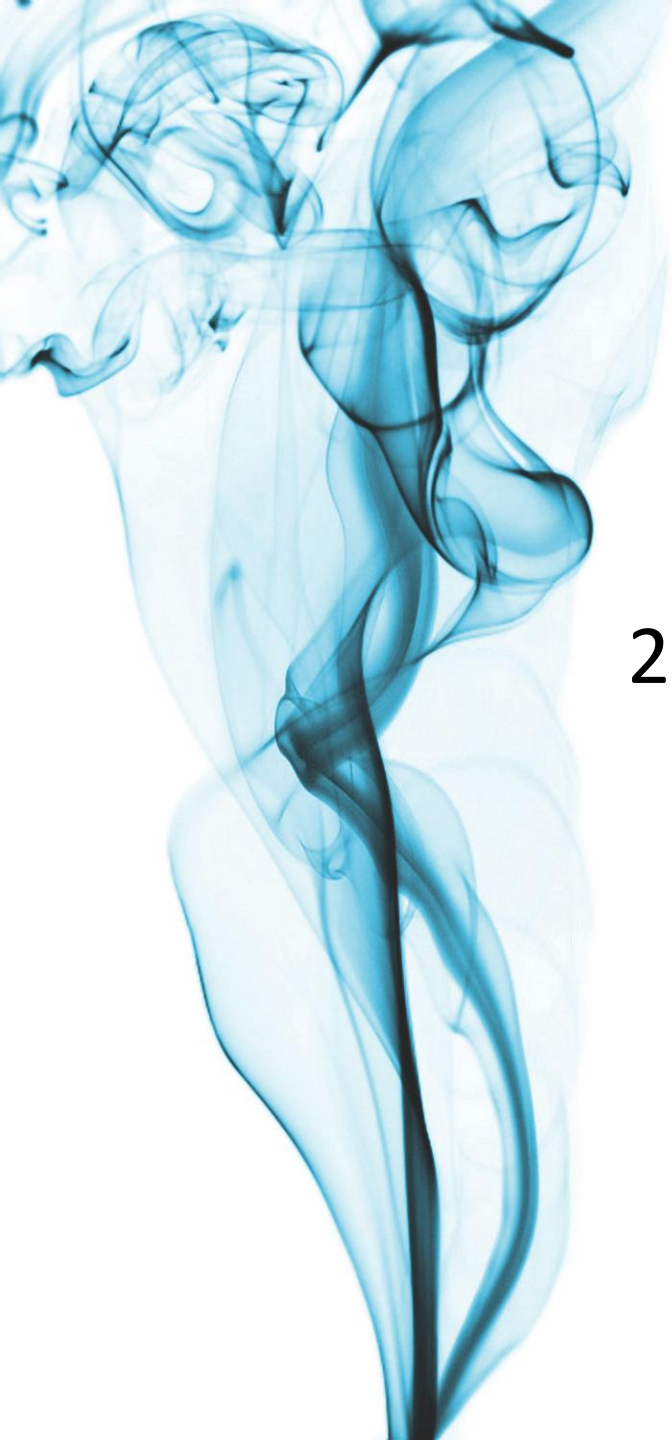
- Reduction of group inventory and A/R by 48% and 68% respectively
- Generated over HK\$100M cash from improvement to working capital efficiency

Infrastructure Building

- Change from manual to computerized system and processes
- New skin care plant in Shanghai at GMP standard to improve product quality and production efficiency through consolidation of plant production

New GMP Factory in Shanghai





2011 Outlook

Outlook in 2011

- New Concept Store (NCS) – Over 200 addition in 2011
 - Brand New: Over 100 NCS
 - Upgrade from existing: Over 100 NCS
 - Cumulatively over 300 NCS by end of 2011
- Speed Up New Entrants Recruiting Process
 - Recruiting Adv @ [baidu](#)
 - Participate Franchise & Beauty Expo
 - 16 recruiting seminars / month
- Ramp Up Training Capacity and Geographical Coverage
 - 8 training centres in China (SHG / GZ / SZ / CD / CQ / Xian / CC / ZZ)
 - Modulated & standardized training materials
 - Covered 1300+ new beauticians training in 2011
- Brand Investment (A&P Budget): 10% of Turnover

New Training Facilities in Shanghai





Open Forum