



**Corporate Presentation**  
**December 2011**

# Agenda

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

## Strategic Objectives

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

Recognized as

**“Total Skincare Solutions Expert”**

# Five Year Plan

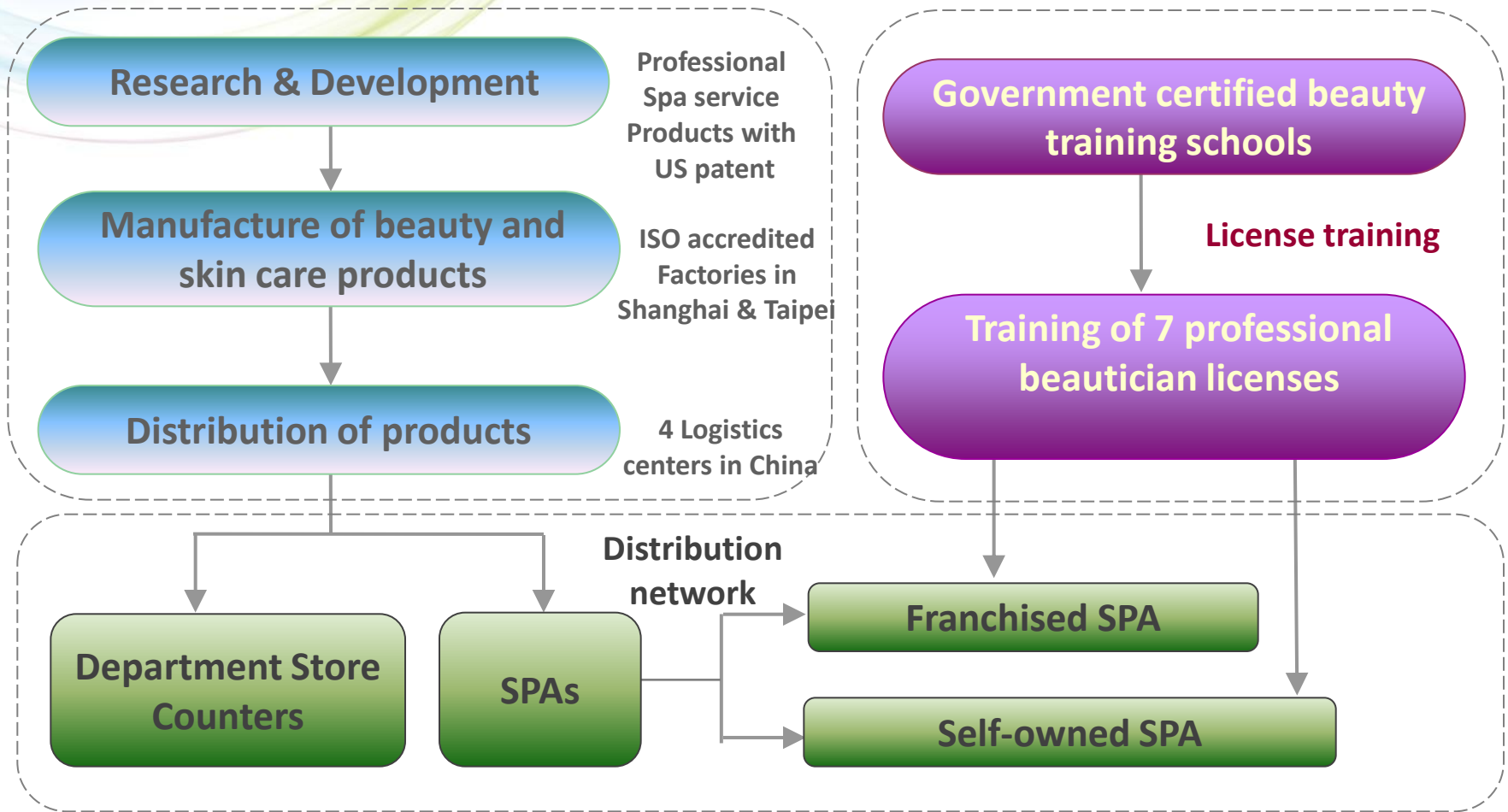
- ◆ Require

- 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

# Core Business



# Organization & Team

- Build a world-class leadership team with proven track record
  - CEO: John Tseng
    - Corporate VP, Eastman Kodak
    - MD of Goodyear Greater China
  - CFO/COO: Jacky Chan
    - GM of Kodak China
    - GM of Evergreen Packaging China
  - VP Retail Operation: Antonio Lee
    - Kodak Senior VP Retail Operation, Greater Asia Region
    - Developed and managed over 10,000 stores
  - CMO: Shirley Tai
    - GM of Estee Lauder HK
    - GM of Clinique China



# Financial Summary

# Summarized Results in 1H2011

- ◆ Turnover increased by 25.6% to HK\$288.5 million
- ◆ Net profit surged by 280.9% to HK\$60.4 million
- ◆ Gross margin maintain at a high level of 78%
- ◆ Net cash increased slightly to HK\$577.1 million with no borrowing despite dividend paid out of HK\$90 million during the first six months
- ◆ Interim dividend of HK\$0.035 per share (Div. payout at 115.9%), same as 1H2010



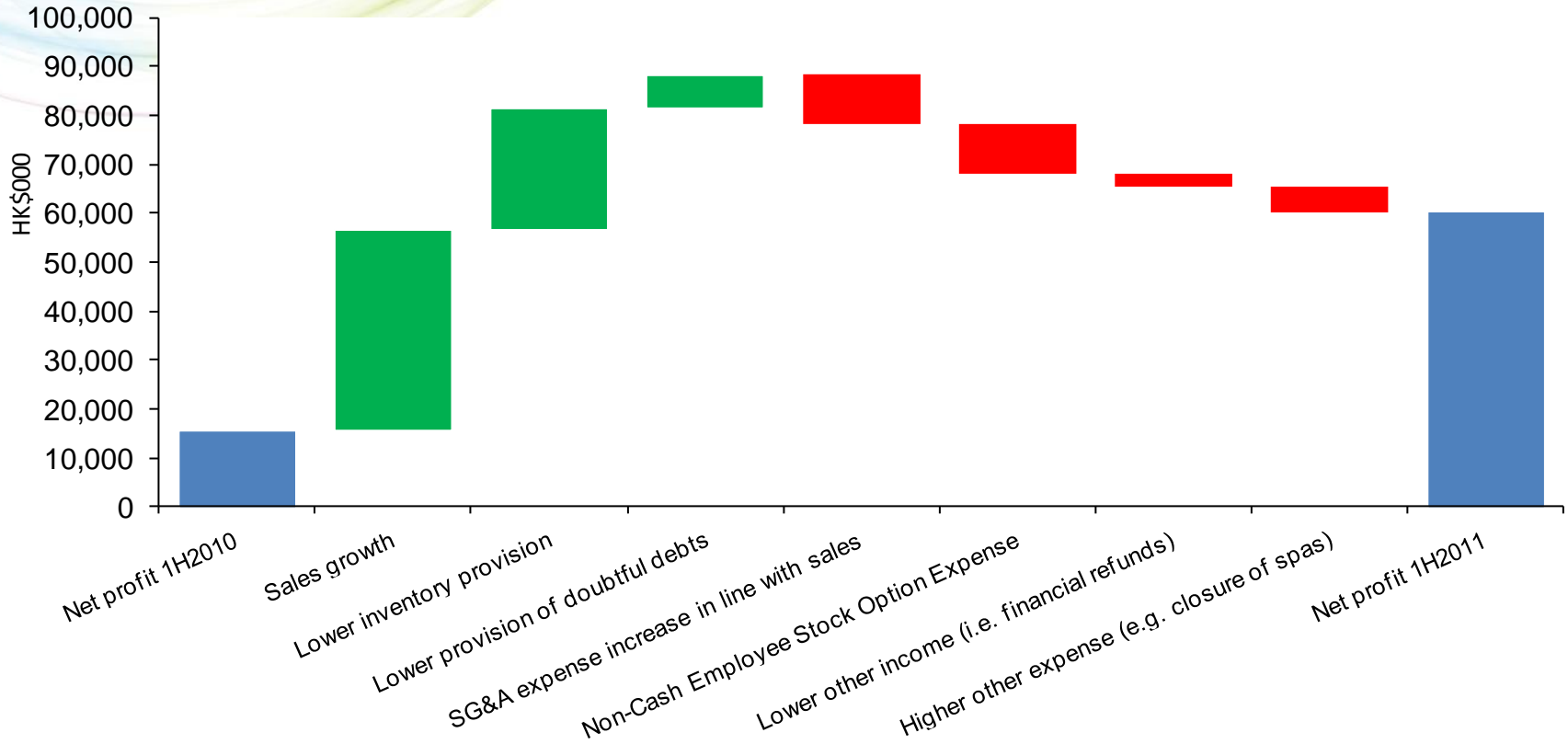
# Financial Summary

For six months ended

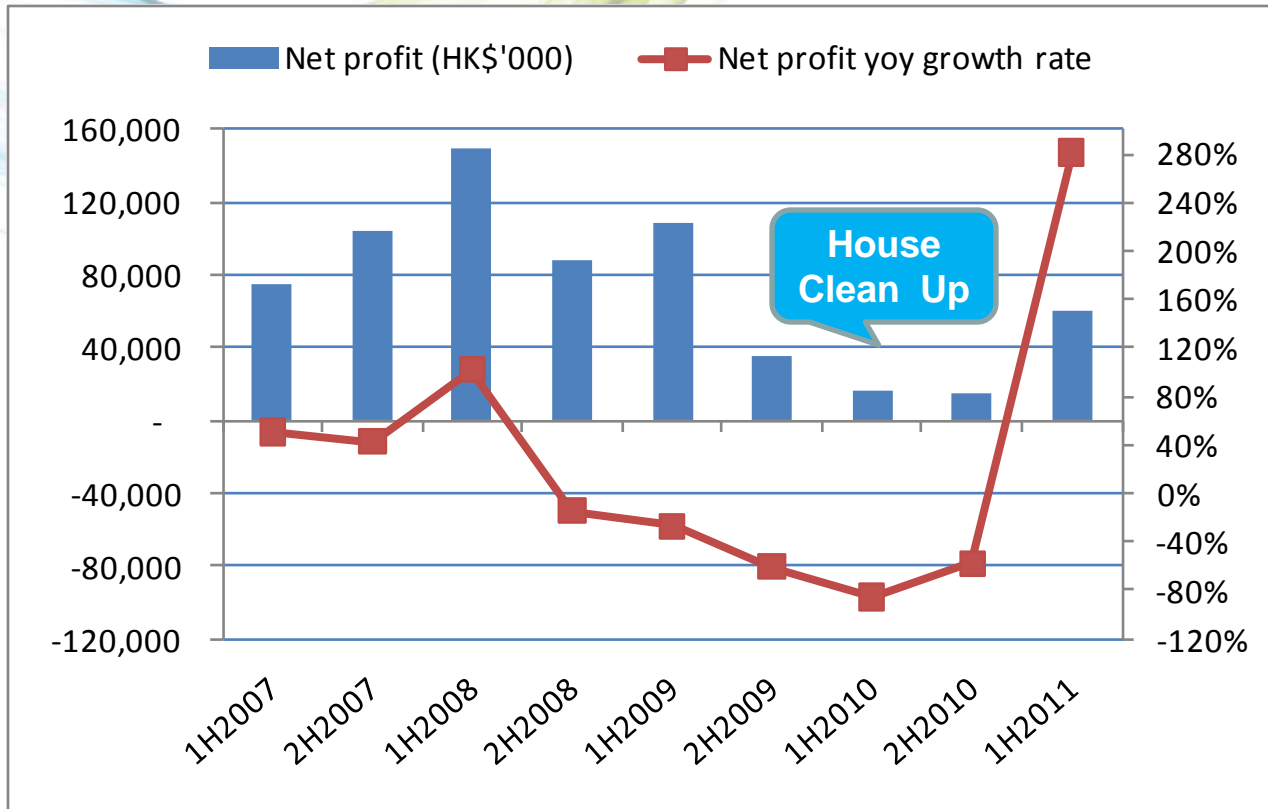
HK\$ Million	30 June,		Chg %
	2010	2011	
Turnover	229.6	288.5	25.6%
Gross profit	159.4	224.4	40.8%
Profit before tax	36.6	80.1	119.0%
Net profit	15.8	60.4	280.9%
Dividend per share (HK cents)			
- Interim (HK cents)	3.50	3.50	0.0%
Dividend payout (%)	440.7	115.9	-324.8
Basic EPS (HK cents)	0.79	3.02	280.2%

# Waterfall Chart – Change in net profit

## 1H2010 NET PROFIT to 1H2011 NET PROFIT












# Net Profit Changes



- ◆ Net profit growth momentum restored.

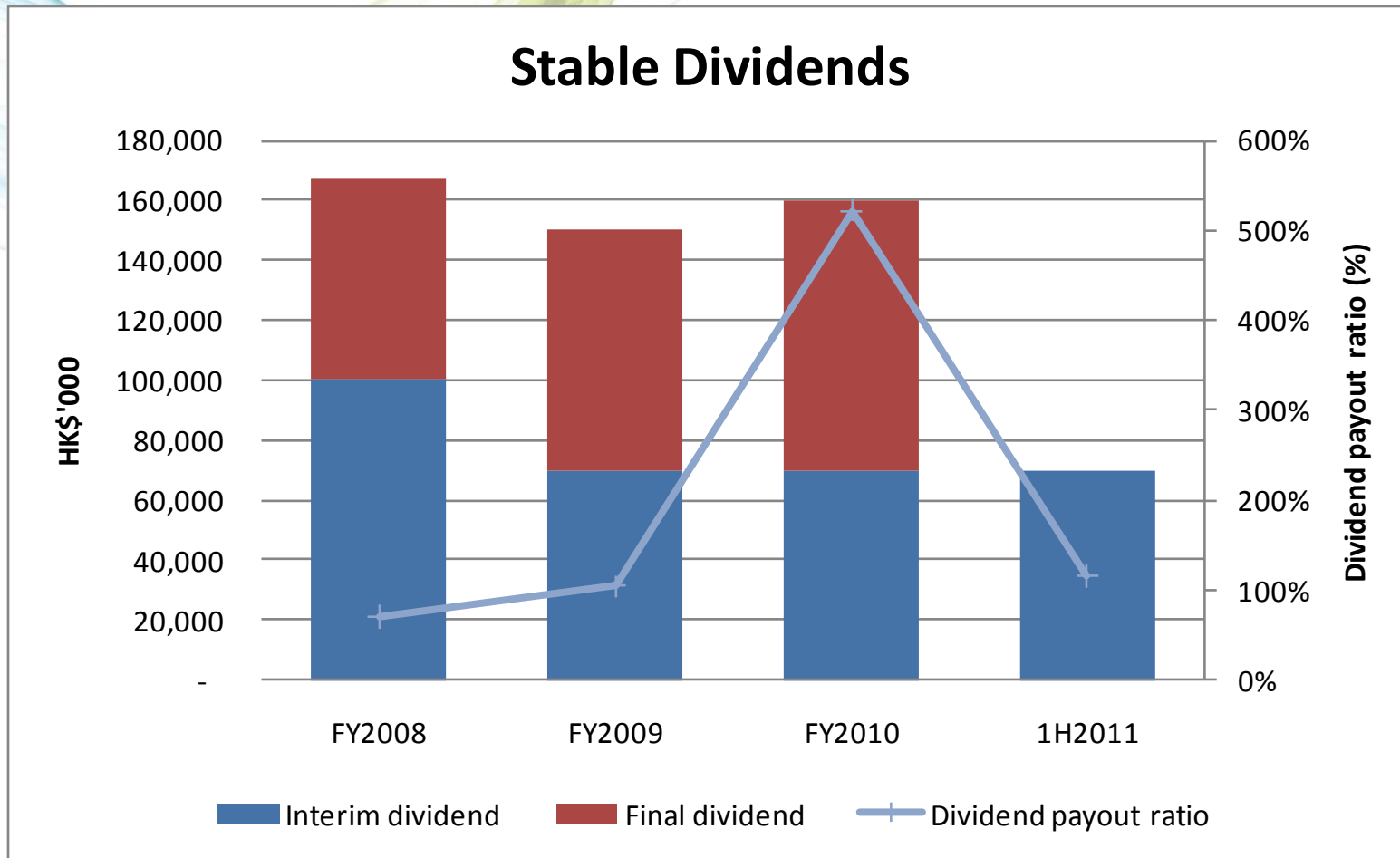
# Key Ratios

	For year ended 31 December, 2010	For six months ended 30 June, 2011	Chg	Good / Improv't
A/R days *	14 days	14 days	-	
A/P days *	37 days	52 days	15 days	
Inventory turnover days *	131 days	111 days	-20 days	
ROE * (%)	4.0	15.5	11.5 pts	
ROA * (%)	3.3	12.8	9.5 pts	
Cash (HK\$ million)	575.5	577.1	0.3%	
Gearing Ratio	Net cash	Net cash	N/A	
Dividend payout (%)	511.7	115.9	-395.8 pts	
Basic EPS (HK cents)	1.56	3.02	93.0%	

\* Annualised for comparison purpose.

Cash represents 61.0% of total assets as of 30 June 2011.

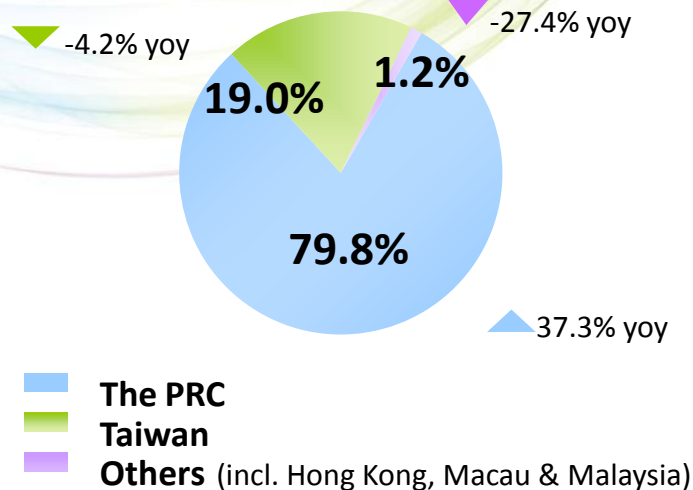
# Stable Dividends and High Dividend Payout History



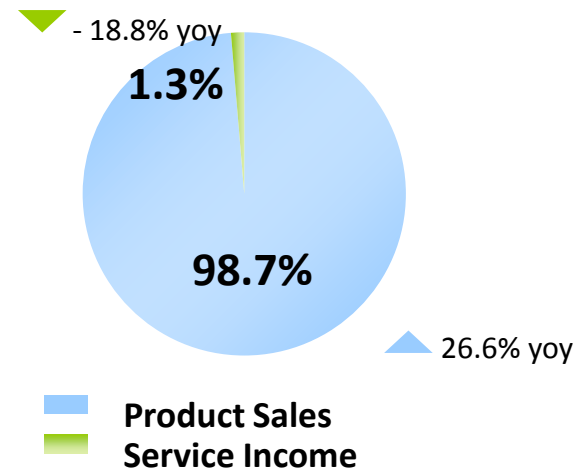
- ◆ Historic dividend payout ratio >70%

# Turnover Analysis for 1H2011

## By Region



## By Products / Service



### Geographical Revenue Breakdown

Expressed in HK\$'000	1H2011	%	1H2010	%	Variance	Var (%)
PRC	230,278	80%	167,730	73%	62,548	37.3%
Taiwan	54,828	19%	57,229	25%	(2,402)	-4.2%
Others	3,370	1%	4,646	2%	(1,275)	-27.4%
Total	288,476	100%	229,605	100%	58,871	25.6%

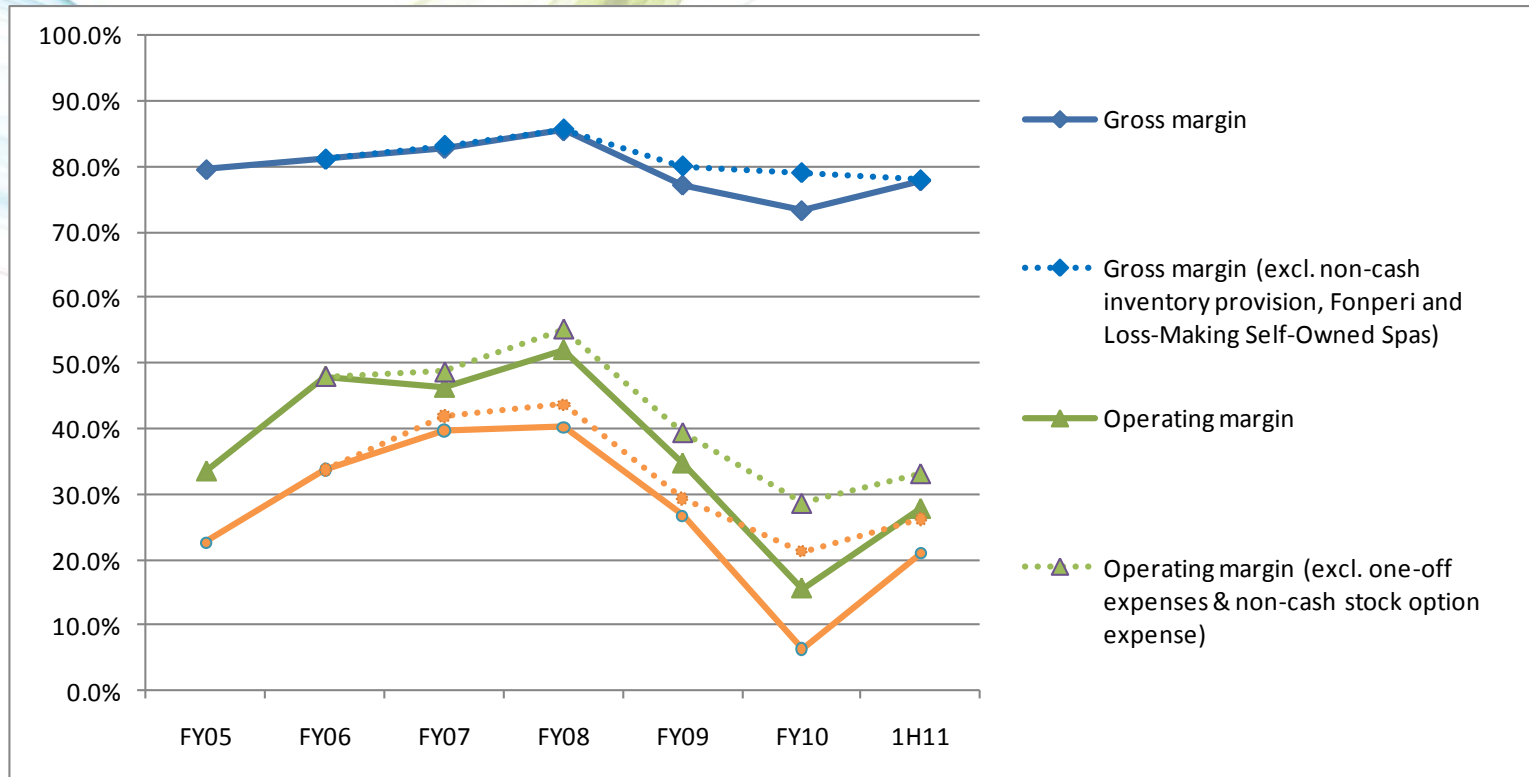
### Revenue By Type Breakdown

Expressed in HK\$'000	1H2011	%	1H2010	%	Variance	Var (%)
Product sales	284,681	99%	224,889	98%	59,792	26.6%
Services	3,795	1%	4,674	2%	(878)	-18.8%
Entrustment	0	0%	42	0%	(43)	-102.4%
Total	288,476	100%	229,605	100%	58,871	25.6%

# Distribution Network in Greater China

As at 30 June 2011		Total	Franchisee owned Spas	Entrusted Counters	Self- owned Spas	Self- owned Counters
The PRC		1,132	1,079	18	2	33
Taiwan		352	347	-	5	-
Others	HK		1	-	-	-
	Macau	34	-	-	1	-
	Malaysia		32	-	-	-
Total		1,518	1,459	18	8	33

# Group Profitability



- ◆ Group gross margin stood at 78% despite high inflation & higher labor costs
- ◆ Improving operating margin mainly due to:
  - Strong sales in PRC as a result of increase in New Concept Store (NCS)





# Retailing Overview

浩

沙

美容生活馆

自然美



natural beauty

隶属于自然美国际事业集团

德国威娜染发造型

NB-1活肤美白祛痕修容

全明星组合回馈高达28%

髮

美容·美体·SPA



自然美 natural beauty





威娜创艺型

哈职观

FOM

SALON

# Supplements

# ESSENCE OIL

健康食疗 内调外养



健康食疗 内调外养

承诺每一滴功效





自然美

natural beauty



蔡燕萍自然美国际事业集团

自然美沈阳分公司  
沈阳市新街美容生活馆





natural beauty



自然美 natural beauty

美容·美体·SPA





自然美



natural beauty

检测皮肤热线: 67365500

蔡燕萍自然美国际事业集团

生

足浴

一帆风顺

婴儿摄影专家



中药泡脚, 可以杀菌、除臭、  
促进循环, 腰部、背部按摩,  
促进睡眠、助孕、帝王选成包



n3  
natural beauty

自然美全方位美容美体中心  
打造美丽肌肤新概念

免费肌肤检测热线  
0371-67365500

中华养生

n3

自然美 natural beauty

美容·美体·SPA

婴儿摄影专家

足浴

将中西泡脚，可以杀菌、除臭、  
通空气，通达腿部、腰部、背酸按摩、  
促进代谢、刮痧、帝王透压包。

无责肌肤检测热线  
0371-67365500

生

美容·美体·SPA



自然美 natural beauty

婴儿摄影





自然美

natural beauty

NB



Tech

NB-1

Oriental Herbal

完美定制 美在自然



3

Essence Oil



# New Concept Store (NCS) Development

1<sup>st</sup> May, 2010

- NCS Pilot Test in Xian

Aug, 2010

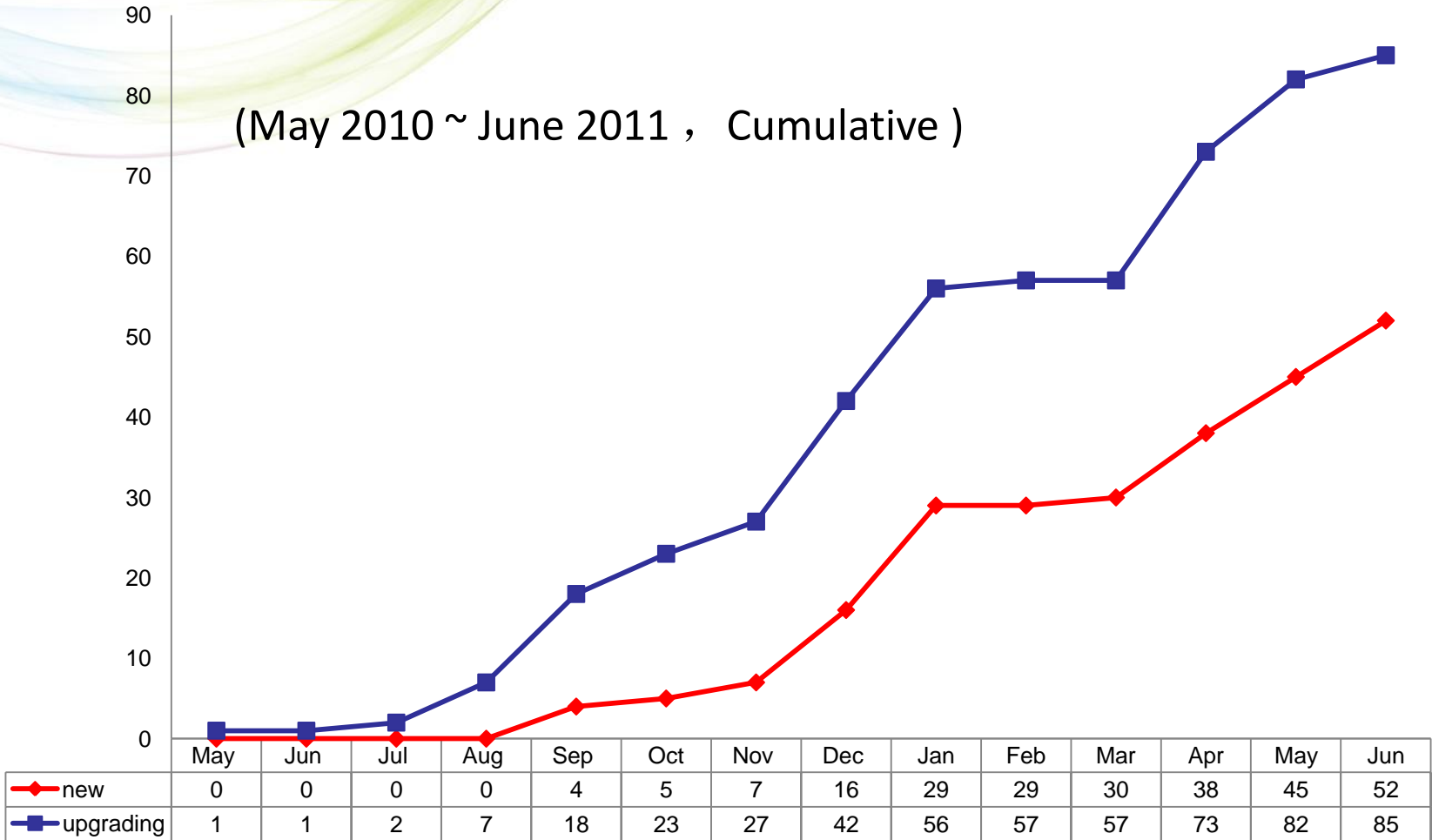
- Rolled out NCS in China

30<sup>th</sup> June, 2011

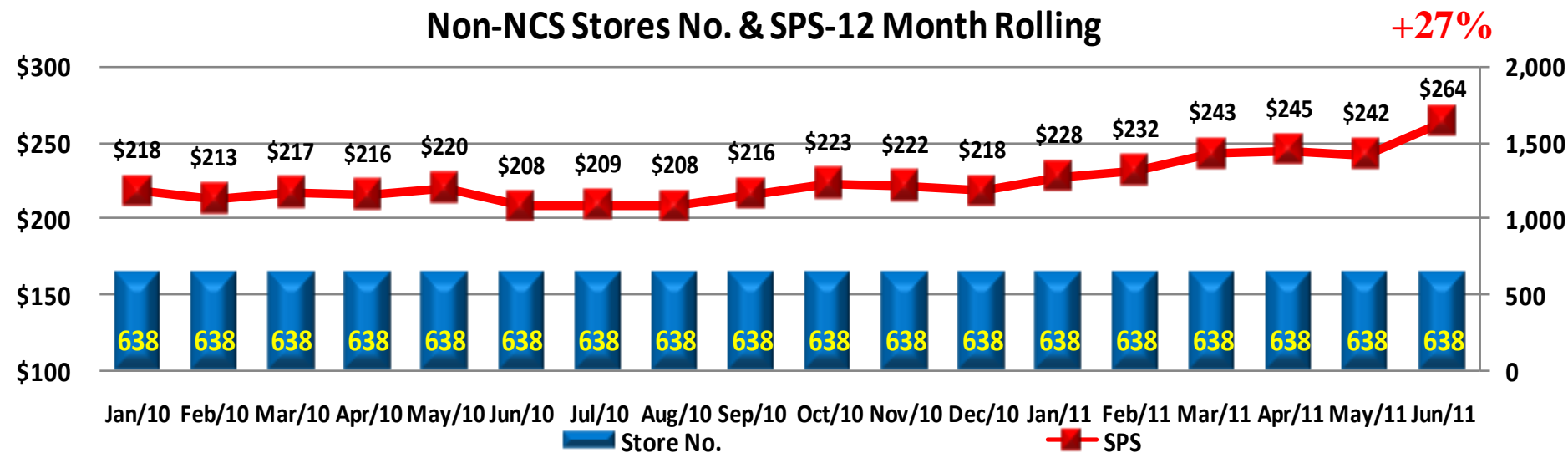
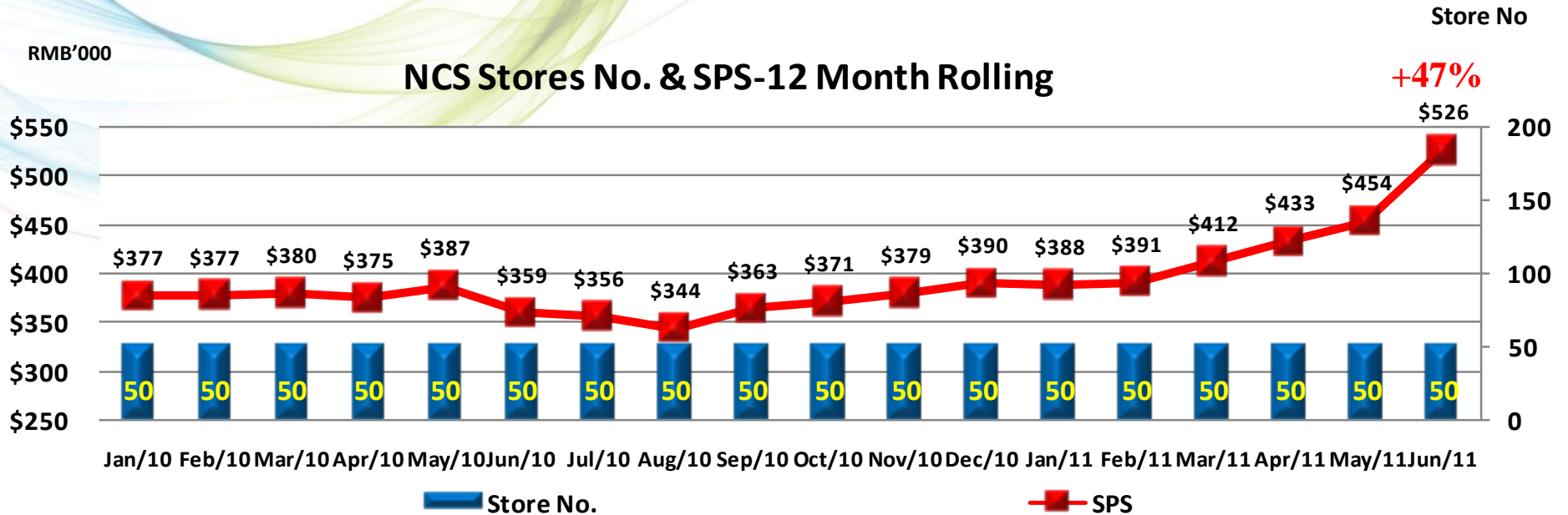
- 137 NCS opened in China
  - 85 Upgrade
  - 52 New

# New Concept Store (NCS) Development

(May 2010 ~ June 2011 , Cumulative )



# Channel Sales Performance (12-month Rolling Sales per Store (PRC))



# Nationwide Distribution Network in PRC (as of 30 Nov 2011)





# Retail Outlook

- New Concept Store (NCS)
  - Upgrade from existing: Over 100 NCS
  - Cumulatively over 250 NCS by end of 2011
  - Continue NCS expansion in Carrefour Shopping Mall
- Net Store increase: 100
- Enhance new franchisee recruiting program
- Further enhance technical and retail management training program on NCS



# Marketing Strategy

# Renowned Brand

- 2011 Most Valuable Franchise Network (最值得加盟美容连锁网络) by China Beauty Expo
- 2011 Excellent Total Solution Beauty Centre (优质全方位美容美体中心) by PC Lady.com (leading female website)
- 2011 Top Ten Best Entrepreneur Investment (十大最具吸引力创业投资项目) by BJ International Franchisee Expo
- 2011 Most Valuable Franchise Network (最值得加盟美容连锁网络) by National Franchisee Expo
- 2011 National Reliable Brand for Consumer & Gold Medal of Chinese Quality Brands (全国消费者信得过单位 & 中国名优品牌金奖) by 中国诚信企业合作促进会
- 2010 Most Healthy Total Solution Beauty Centre (最健康全方位美容美体中心) by Trends Health magazine
- 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 Bronze Winner of Asia Marketing and Promotion Award
- 2006 Bronze 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

## Franchisee Channel



**NB-1 SCT Series**  
RMB500~5888



**NB-1 Yam Series**  
RMB500~1000



**Essence Oils**  
RMB230~1300



**Bio-Tech Series**  
RMB200~400



**Herbal Series**  
RMB100~300



**NB-1 Supplements**  
RMB500~1150

**Health Supplements**  
RMB150~500

## Counter Channel



**Herbal Yabai Series**  
RMB100~440



**Anmi Series**  
RMB100~325

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

▶ **Aroma Hair-loss Preventive Scalp Treatment**  
RMB190

▶ **Aroma Bust Treatment & Firming Wrap**  
RMB400

▶ **Digestion Enhancing Treatment**  
RMB190

▶ **Aroma PMS Treatment**  
RMB190

▶ **Aroma Body Sculpturing & Firming Treatment**  
RMB400~450

▶ **Ultra Lympho Slim Up Treatment**  
[Waist/ Stomach/ Pregnant lines / Thigh/ Buttock/ Shoulder]  
RMB990

▶ **Aroma Oriental Massage/ Energetic Lymphomassage**  
RMB550

▶ **Yin & Yang Jade Massage Therapy**  
RMB190

▶ **Facial Treatment**  
[NB-1/ Natural Hormone/ Bio-tech / Han Herbal Whitening / Professional ]  
RMB280~590

▶ **Aroma Lympho Lift-up Therapy**  
[Whitening/ Balancing/ Refining/ Brightening/ Rejuvenating/ Dark Circle/ Firming]  
RMB190

▶ **Aroma Pores & Dark Spot Back Treatment**  
RMB400

▶ **Aroma Firming Neck Treatment**  
RMB190

▶ **Aroma Muscle-relieving Shoulder Massage**  
RMB190

▶ **Whitening Ocean Wrap**  
[Arm/Full Body]  
RMB390

▶ **Body Herbal Scrub** RMB390



# Retail Competition (Market shares 2010):

## **High end department store brands:**

SKII (0.6%), Lancome (2.3%), Shisedo (1.7%), Estee Lauder (1.9%),

## **Mass hypermarket brands:**

Olay (10.2%), L'Oreal (4.8%), Vichy (2.1%) ;

Ponds - Unilever (1.8%), Nivea (1.2%) Garnier Mini Nurse (1.1%)

## **Direct selling:**

Mary Kay (6.1%) , Artistry - Amway (5.2%), Avon (2.6%)

## **Cosmetic drugstores:**

Aupres (4.8%), Dabao (1.1%)

Source: Euromonitor Report June 2011

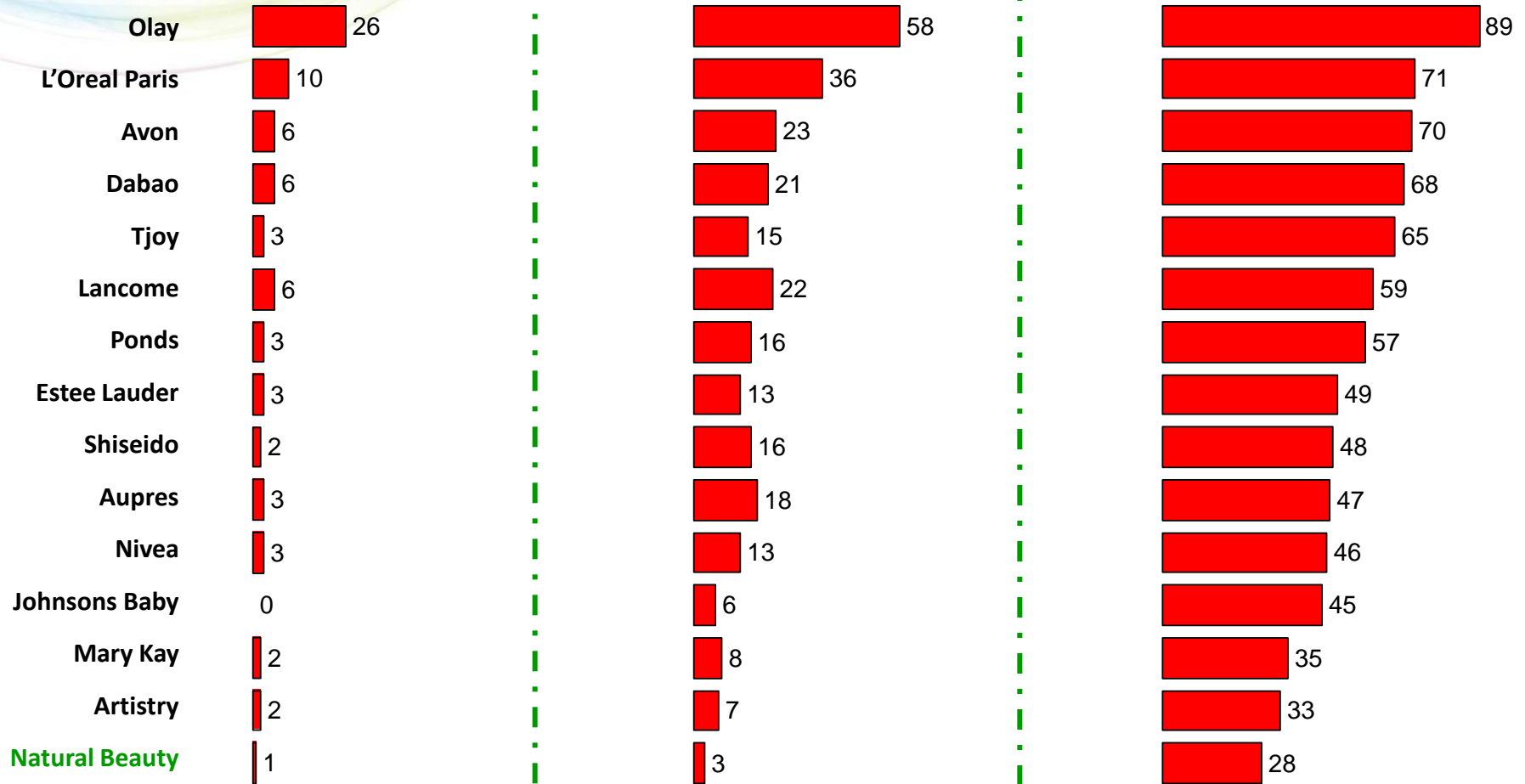
# Brand Awareness – Top 15 brands in China

All Respondents (Radom)  
n (Wtd) = 2423  
n = 2421

## Top of Mind

## Unaided Awareness

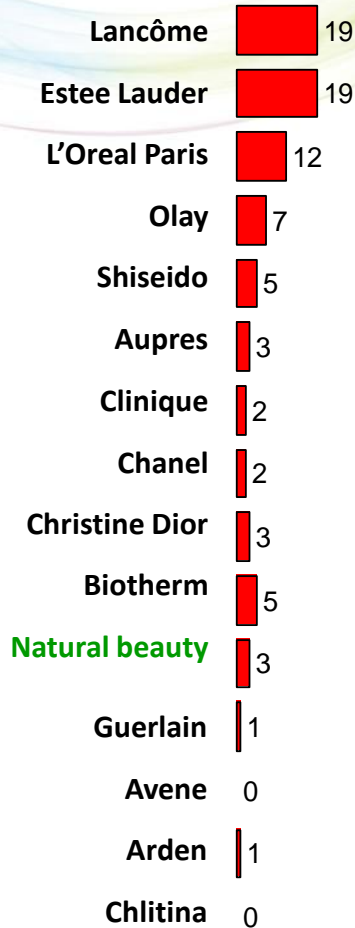
## Total Awareness



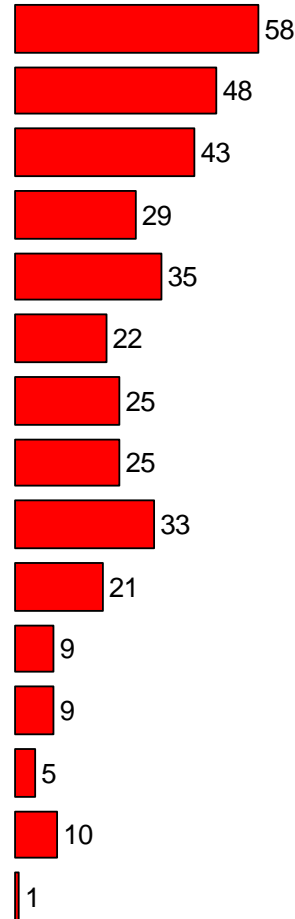
# Brand Awareness

## – Top 15 brands in Premium Users

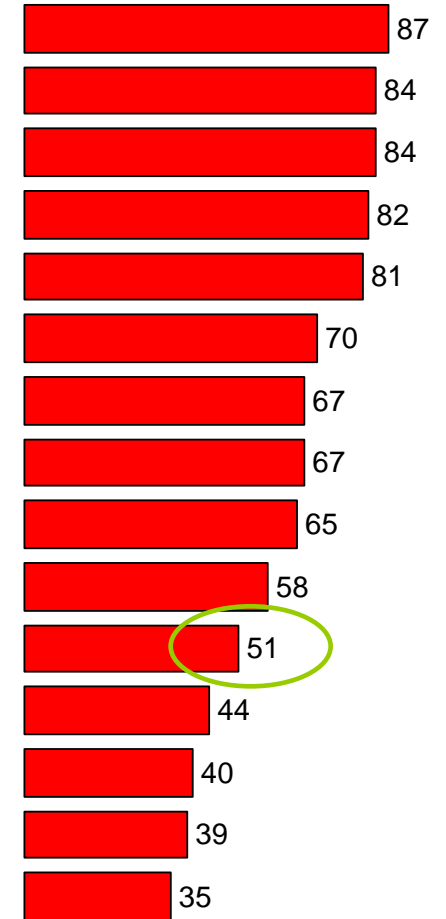
Top of Mind



Unaided Awareness



Total Awareness





# 2011 Strategic Imperatives

## Building Blocks and 1H Achievements

### New Communications Programs

- **New brand positioning kicked off in Mar 2011: Qi 细养之美**
  - brand imagery building for new consumer and franchisee recruitment
  - A unique brand positioning to promote spa channel and NB product portfolios in an integrated manner
- **New Key Visuals by portfolio and by function to build power brands**
- **New packaging design to be kicked off in Q4 2011**
  - Winning concept for NB-1, Bio-Tech and Herbal for both NB and non-NB users in Focus Group conducted in July
- **New POP and in-store merchandising in Q4 2011**

## - New Product Launch

- Skin Care: 8 SKUs in Q3
- Supplements: 1 SKUs in Q3
- Essence Oils: 3 SKUs in Q4

## - PR and Promotion

- Mega launch of Yam NPD and NB-1 re-promote in Q3
- Key account programs target at >1M franchisees in Q3

## - Brand Revamp Program

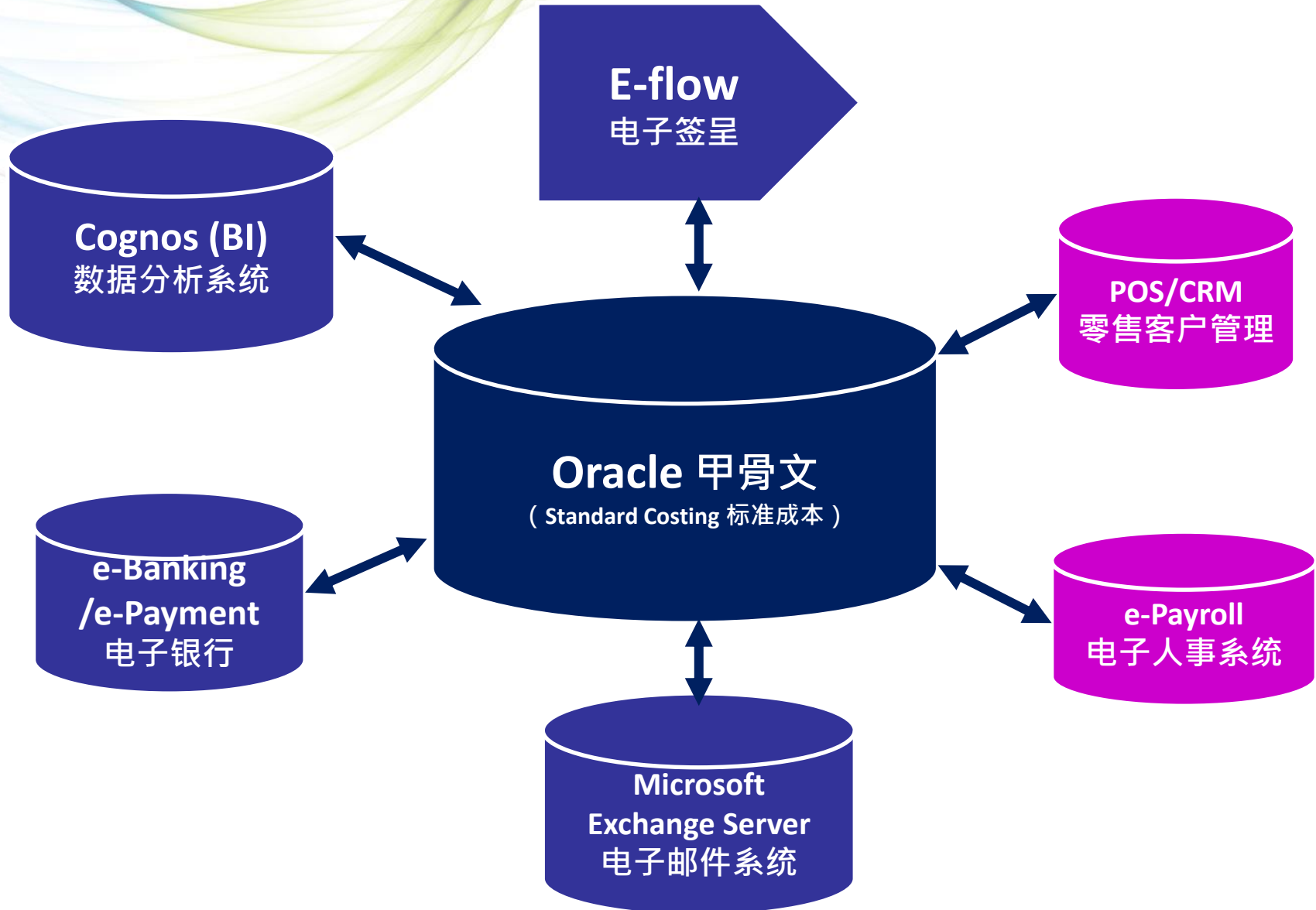
- New packaging launch target in Q4
- Test market for new TVC and franchisee recruitment ad target in Q4





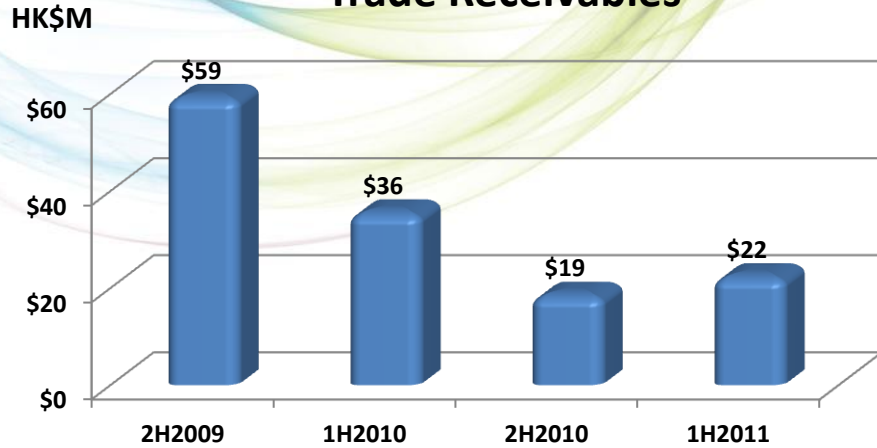
# Operations Review

# Systems Implementation

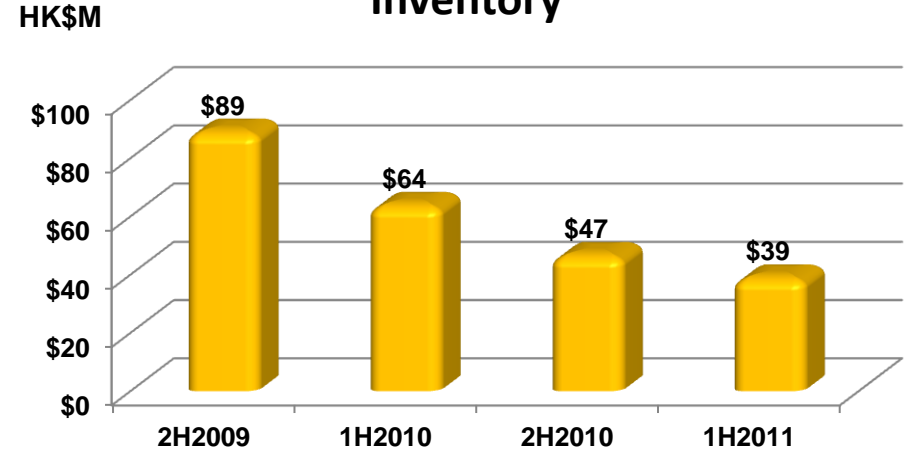


# Group Working Capital

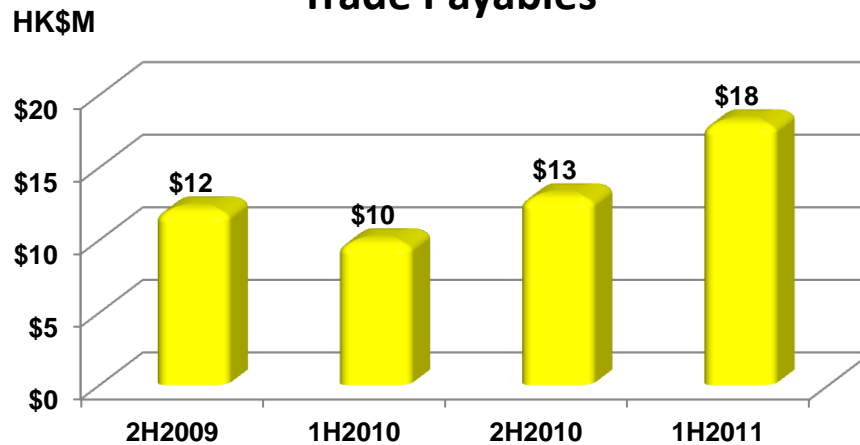
## Trade Receivables



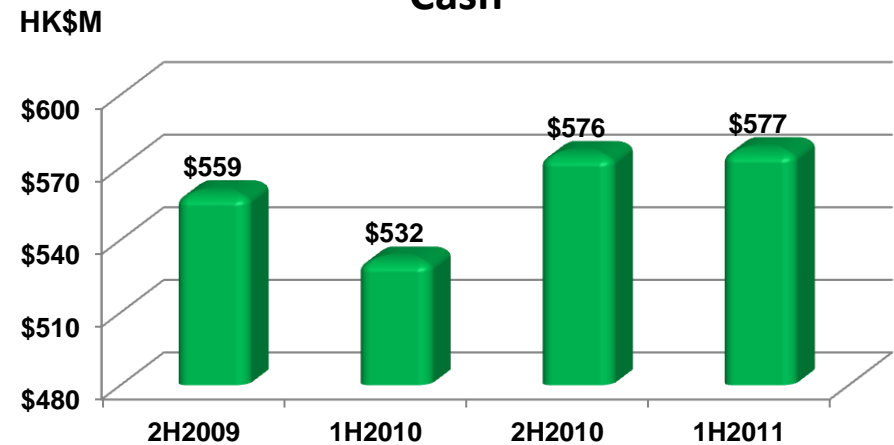
## Inventory



## Trade Payables

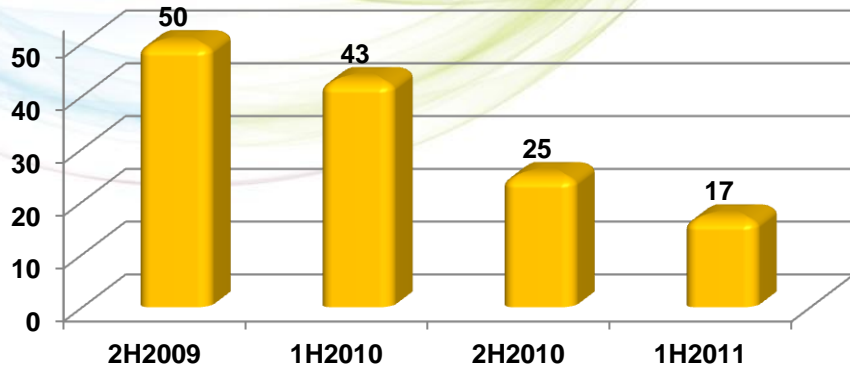


## Cash

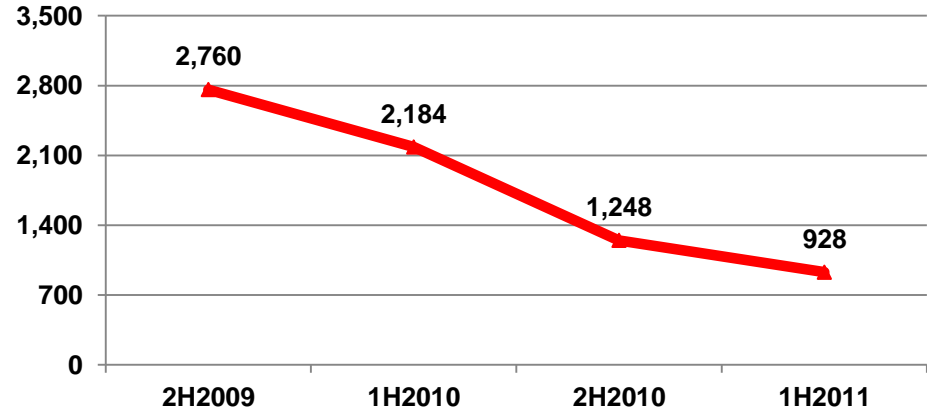


# PRC & TW Legal Entities and SKUs

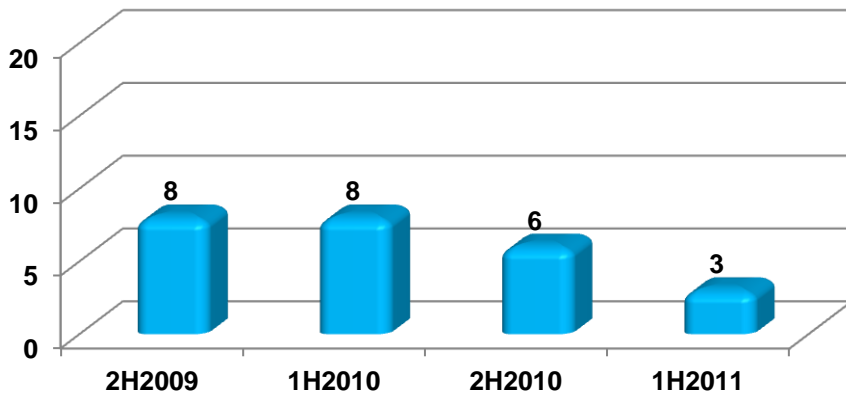
## Legal Entities (PRC)



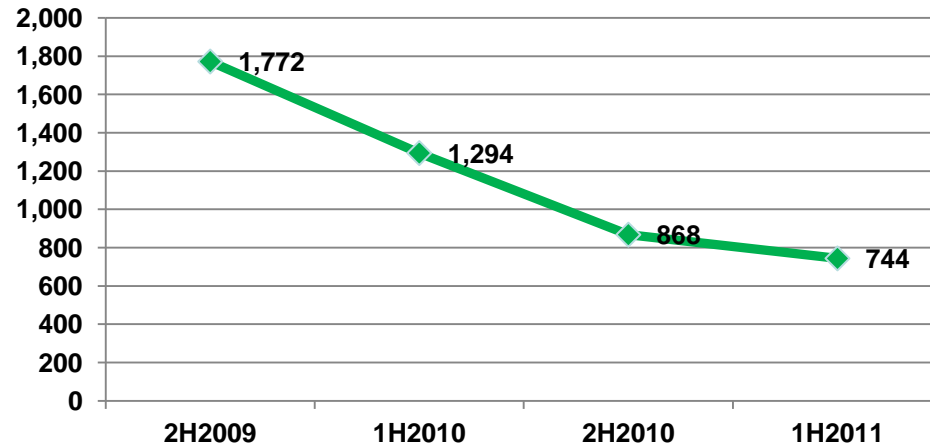
## SKUs (PRC)



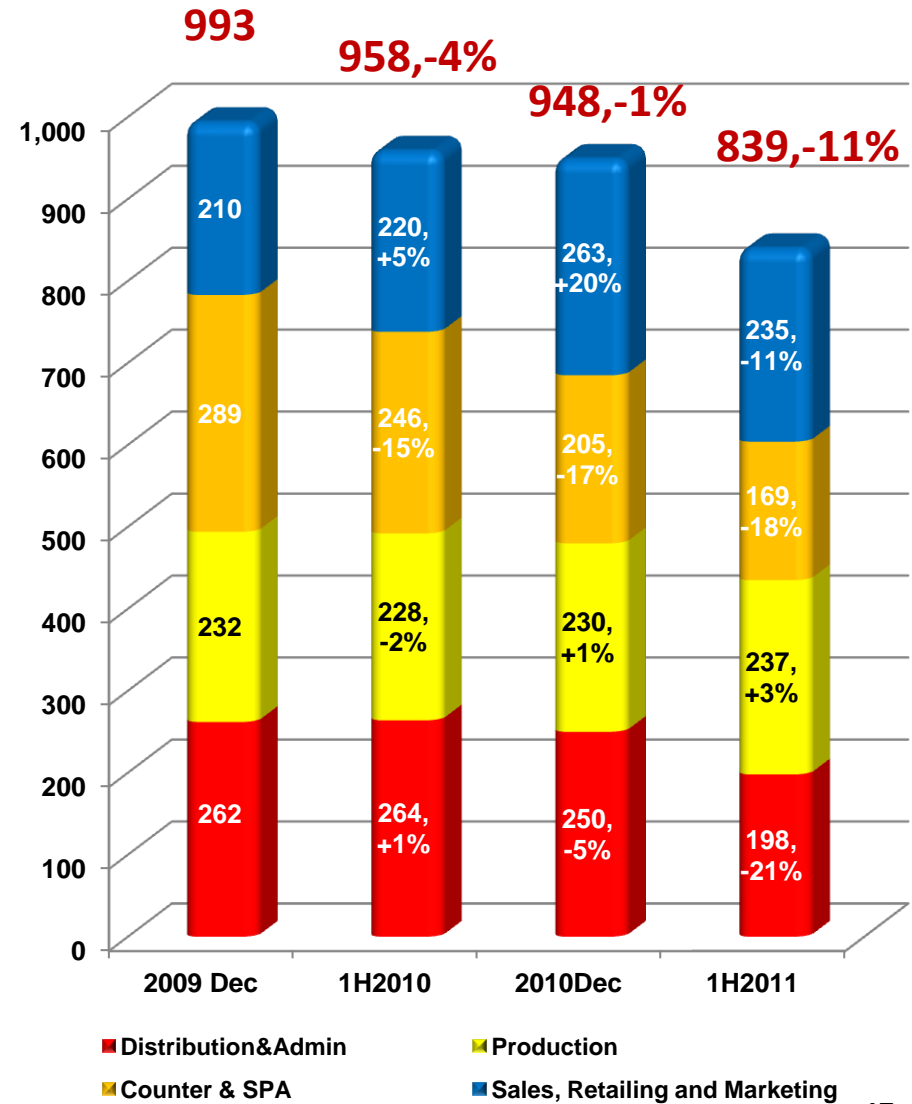
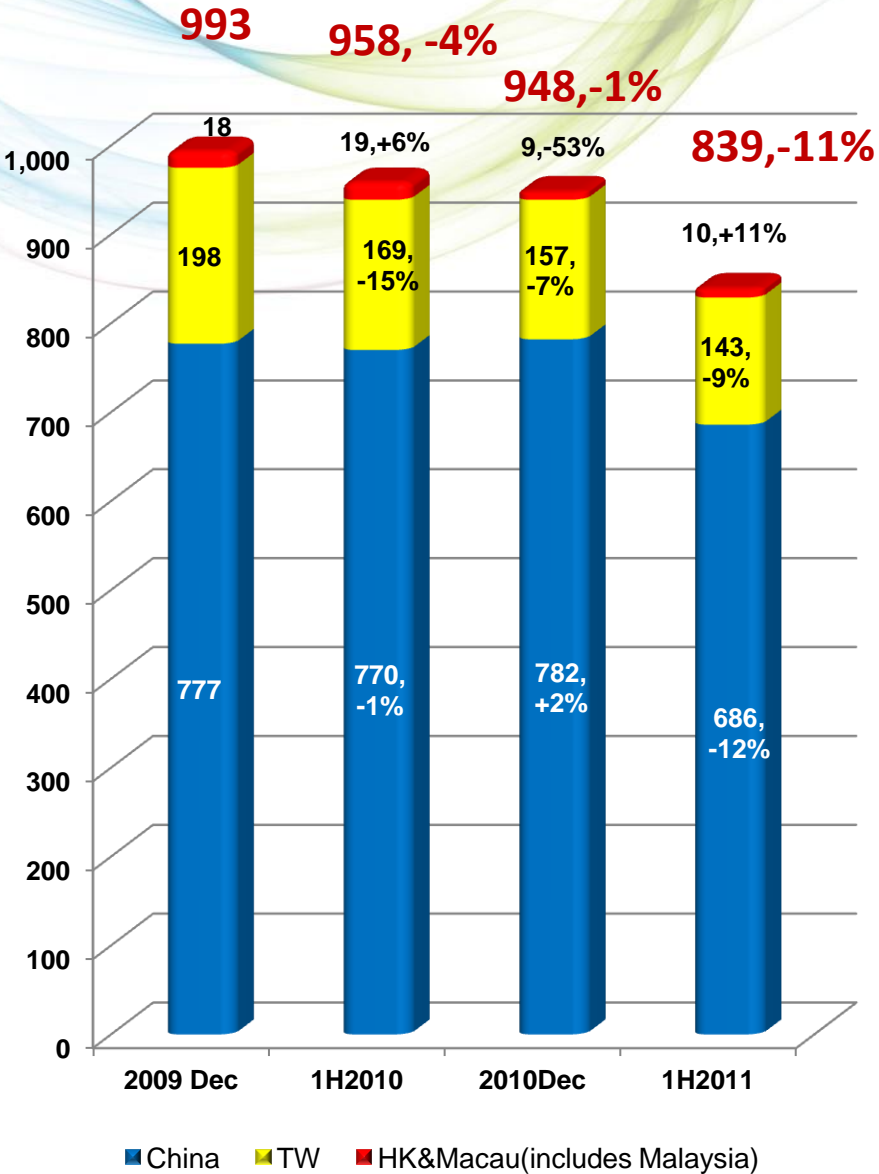
## Legal Entities (TW)



## SKUs (TW)



# Group Headcount





Thank you!

NB IR website: [www.nblife.com/ir](http://www.nblife.com/ir)