



自然美
natural beauty

2006 Interim Results

September 2006



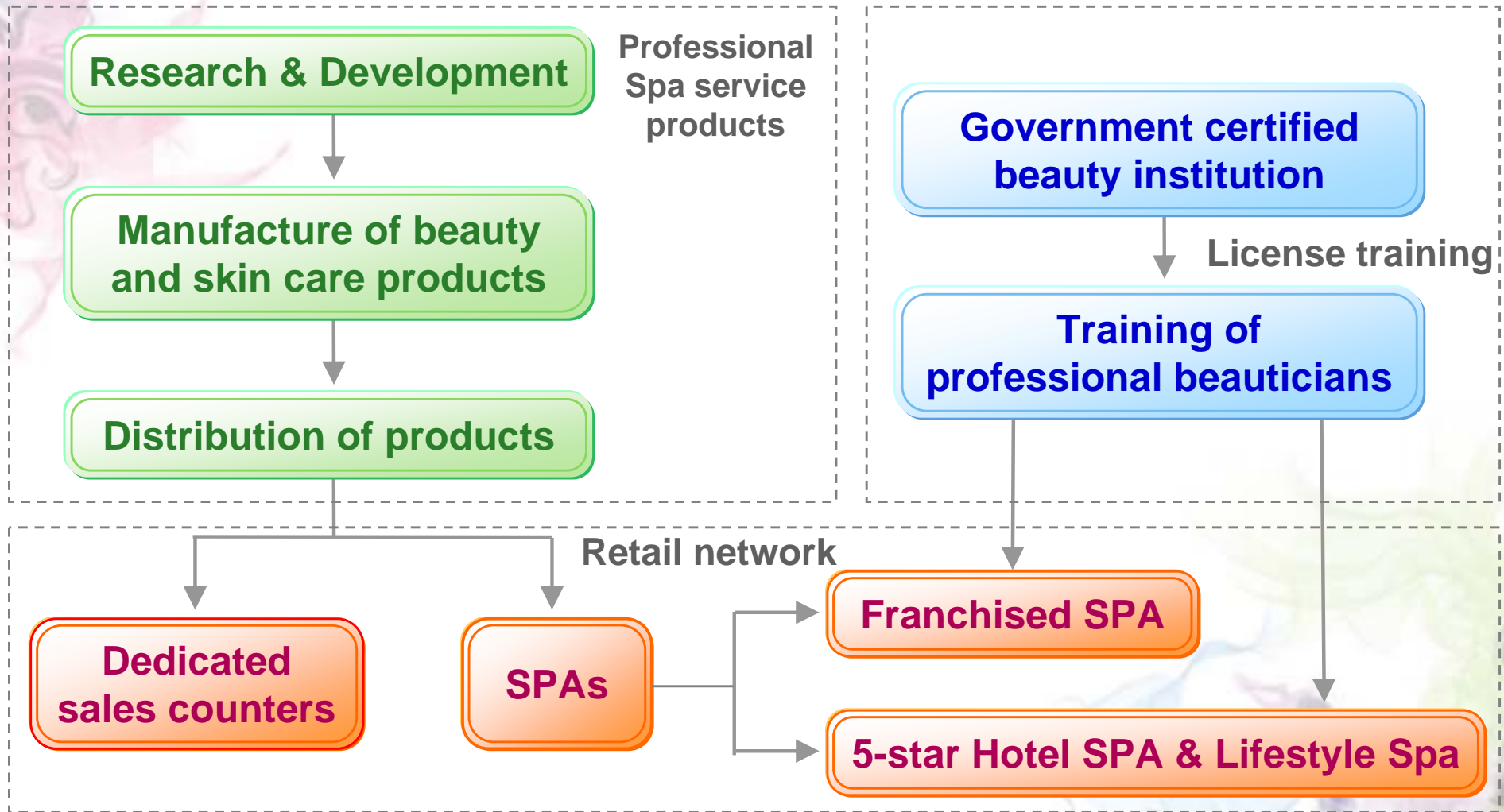


Corporate Positioning

A Leading **Beauty** & **Spa**
Service & Professional Product
Provider in Greater China



Core Business



Financial Highlights

Financial Summary



<i>(HK\$ mn)</i>	1H2005	1H2006	Change %
Turnover	163.1	163.6	+0.3
Gross profit	128.4	128.8	+0.3
Profit from operations	49.7	72.8	+46.7
Profit for the period	32.4	49.4	+52.3
Basic EPS (HK cents)	1.64	2.48	+51.2
Interim dividend per share (HK cents)	1.30	2.00	+53.8
– Basic	0.94	1.40	+48.9
– Special	0.40	0.60	+50
Dividend payout ratio	79.3%	80.2%	+0.90

Key Financial Ratios

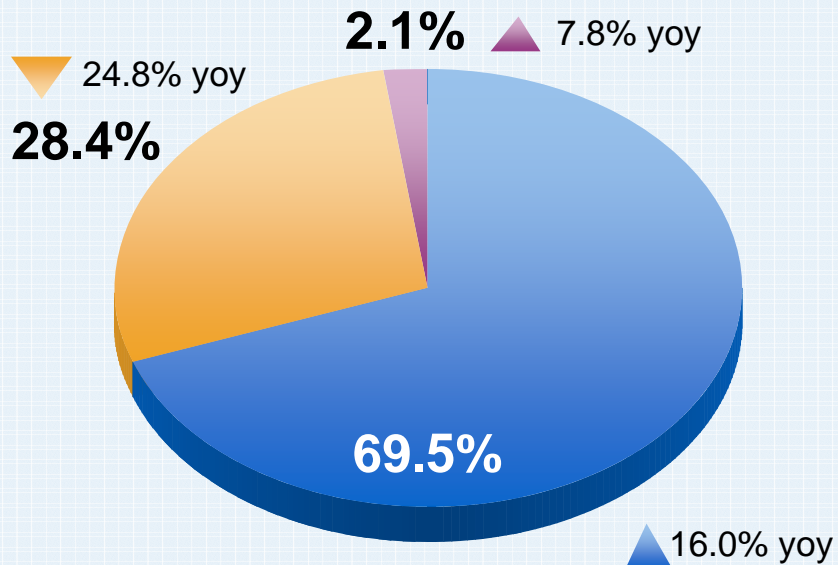


	30 June 05	30 June 06
Inventory Turnover (days)	290	309
AR Turnover (days)	57	77
AP Turnover (days)	51	80
Cash (HK\$ mn)	212.4	260.0
Gearing ratio	Net Cash	Net Cash



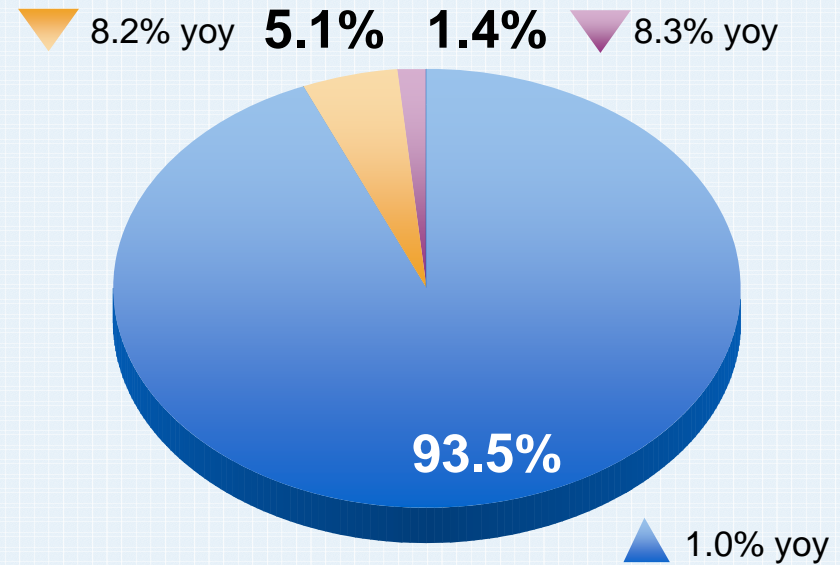
Turnover Analysis for 1H06

By Region



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

By Products/ Service

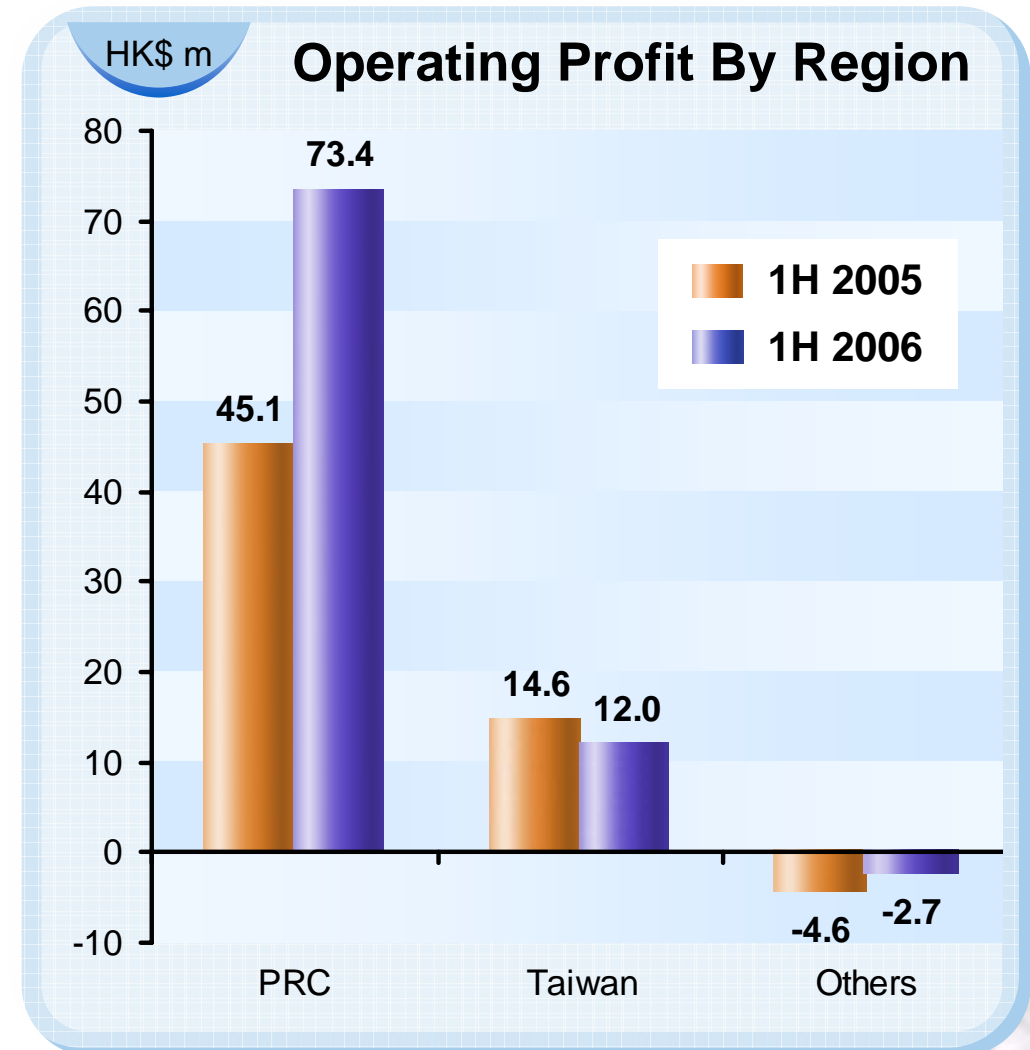


- Product Sales
- Service Income
- Entrustment income



Strong Profitability in the PRC

- ▶ PRC's operating profit before tax increased by 62.9% to HK\$73.4 million.
 - Tax refund impact of HK\$17.2 million (1H 2005: HK\$12.2 million)
 - Successful brand revamping exercise since 2005
 - Growth in both product sales and gross margin
- ▶ Taiwan's dropped by 17.9% due to:
 - Economic recession
 - Store revamp program started at the end of 1Q 2006





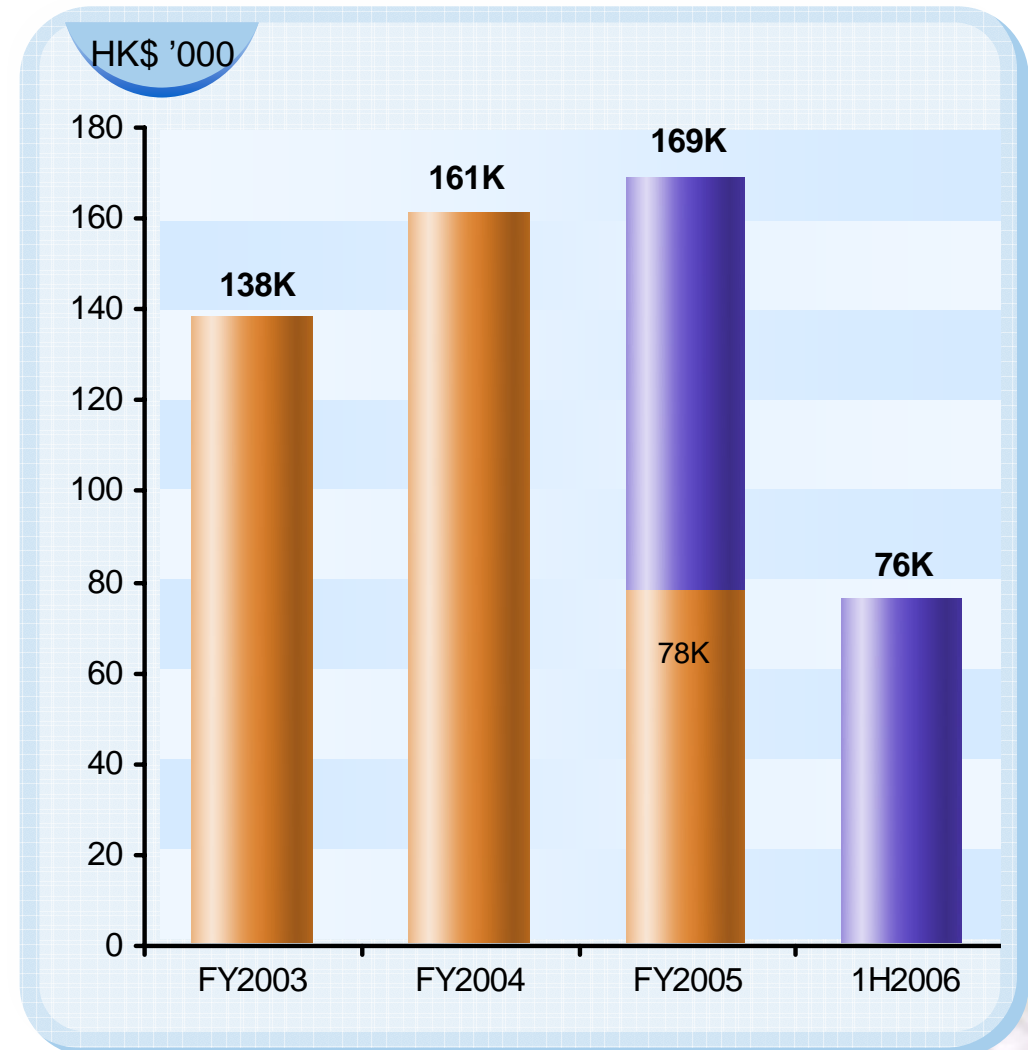
Average Sales Per Store

▶ The Group's average sales per store decreased by 2.6% yoy to HK\$76,000 in 1H2006 due to:

- Success of the brand revamp program, boosting the average store sales in PRC by 10.8%
- Offset by drop in sales in Taiwan mainly due to recession

▶ Average sales per store by market:

(HK\$)	1H2005	1H2006	(%)
PRC	65,000	72,000	+10.8
Taiwan	116,000	87,000	-25.0
Group Average	78,000	76,000	-2.6





Gross Profit Margin Analysis

By Region

	1H2005	1H2006
PRC	78.9%	83.1%
Taiwan	79.5%	73.9%

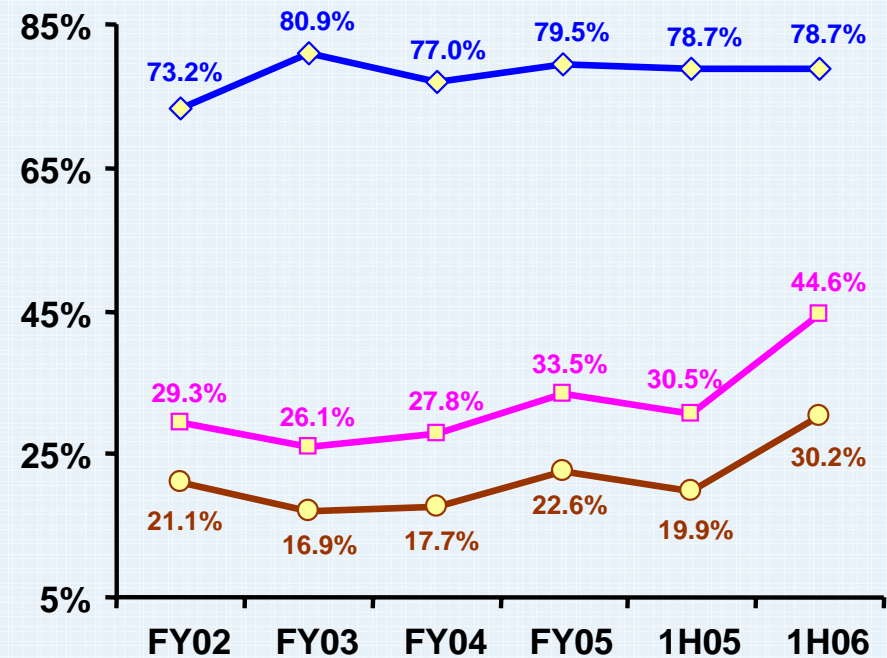
By Business

	1H2005	1H2006
Product	84.3%	84.4%
Service	-20.5%	-30.9%
Entrustment	100%	100%



Sustainable Profitability

- ▶ Gross profit margin maintained at high level and in par with the same period last year
- ▶ Net profit margin further increased by 10.3 percentage point due to the improvement in operating efficiency and advertising & marketing efficiency
- ▶ New branding strategy will further realize sustainable profitability and profit margins for the Group in coming years



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



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Business Review



Core Values

**Professional
Effective
management of
franchisees**

**Extensive
distribution network
in Greater China**

**Unique &
comprehensive
product range
& services**



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**Strong R&D
capabilities**

**Renowned
brand identity**



Extensive Distribution Network in Greater China

	<i>As at 30 June 2006</i>		<i>Franchisee owned</i>	<i>Entrusted</i>	<i>Self-owned</i>
The PRC*	1,593	The PRC	1,476	45	72
1st-tier cities	615				
2nd-tier cities	978				
Taiwan	527	Taiwan	518	-	9
Others	46	Hong Kong	-	-	1
		Malaysia	45	-	-
TOTAL	2,166	TOTAL	2,039	45	82

Remarks:

1st-tier cities: Beijing, Shanghai, Guangzhou and Shenzhen

2nd-tier cities: Other cities



Strong R&D and Expert-developed Products

- ▶ R&D center in Taipei, Taiwan
- ▶ ISO accredited manufacturing plants in Shanghai and Taipei
- ▶ Experienced expert team supervised by Dr. Yen Ping Tsai and in collaboration with other leading researchers in the field of human genome and stem cell technology
- ▶ Cooperated with overseas cosmetic companies on technological development and imported biotechnology materials from Europe, Japan and Australia, which were applied in over 700 NB's product
- ▶ Enriched product range and launched 17 new products during 1H2006





Renowned Brand

- ▶ **Leading market research firm “DAWSON”:**
 - Over 80% respondents recognition for NB brand and agreed NB products are suitable for Oriental women**
- ▶ **2005 Outstanding Enterprise in Hong Kong**
- ▶ **2005 Top 10 most influential beauty brands in China**
- ▶ **2005 Top 10 most influential beauty franchised salons in China**
- ▶ **2004 Golin Awards in Corporate Branding / Reputation Management**
- ▶ **2005 Best Franchisee Network in China (highest consumer recognition rate: 49.7% - 2005 China Beauty Economy Annual Report)**
- ▶ **2005 Longshi Global Chinese-Language Print Advertisement Competition Award for Best Slogan & Most Creative Graphics**
- ▶ **2005 Pacific Design Award 6 finalists**
- ▶ **2005 Asia Pacific Times Award 8 merits and shortlists**
- ▶ **2005 Best Enterprise for Financial Management**



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



Effective Management of Franchisees

- ▶ **Over 1,200 hours of compulsory license training provided by NB's 15 training centers in collaboration with Ministry of Labor**
- ▶ **Dual-track management system: expert team and local subsidiaries to visit franchisee stores 3-4 times a year**
- ▶ **6 headquarter training sessions and marketing campaigns a year**
- ▶ **Marketing partners: FCB (creative/branding), McCann (media buy), Golin Harris (PR), Grey (CRM/ website), iPR Ogilvy (IR)**



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Future Strategies



Growth Drivers Summary

▶ Improve Same Store Sales

- Revamp brand, website and shop image (approximately 1,000 stores)
- Repackage products to reduce costs (183 products repackaged)
- Launch synergetic products such as NB-1 Family (1H 2006: 17 new products)

▶ Expand Distribution Channels

- Target to open 200 franchisee stores (opened 86 stores in 1H2006)
- Expand local distributions, e.g. hypermarket, cosmetic drugstores
- Campus mailer for 50 universities in China (400,000 female students)

▶ Expand Beauty Training Business

- Company training e.g. Sephora, Four Seasons Hotel and others
- Government subsidies for licenses exams (RMB670~1,720 per student)

▶ New Revenue Sources

- Franchise fee for new franchisees – RMB30,000-50,000
- Management fee (local adv. & customer databank) RMB5,000 per quarter

▶ Professional Management Team

- Recruit new CEO, COO China, COO other market by 2006

Revamped Corporate Identity



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蔡燕萍自然美国际事业集团



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Revamped Visual Identity

Past Image



Revamp Image



Revamped Franchisee Interior Standard



Award Winning HK Central SPA





Flagship & Hotel Spa



Resort Spa



Balinese Spa



City Spa in major department stores



City Spa in premier commercial areas



Zen Spa

Package Revamp



◀ **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



Local Channels & Mass Products



Art of Beauty
Make-up Series
RMB150~500



Scent of Beauty
Home use series
RMB90~370



Campus Mailer

Promotion campaigns in different universities in the PRC



▲ Posters

Distribution of promotion leaflets ►





Advertising & PR campaigns



▲ TVC

◀ PR Event



Seasonal In-store Promotional Campaigns



◀ Franchisee DM

Customer DM ▶

▼ Promotional Gifts



Website Revamp



www.nblife.com.cn