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Beauty China's full-year net profit up 33.3% to HK\$88.2M; signs distribution pact for Sa Sa's 42 stores in HK and Macau

- *Group sales grew 39.5% to HK\$262.3 million, boosted by a 34% growth in new outlets*
- *Propose a final dividend of 0.9 Singapore cent per share*

SINGAPORE – 23 February 2005 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China”), a brand management company that owns and manages the *Colour Zone* and *CharmingLady* brands of colour cosmetics and skincare products catering to the mass market in Mainland China, today announced a 33.3% surge in net profit to HK\$88.2 million (S\$18.6 million¹) for the year ended 31 December 2004.

This was achieved on the back of a 39.5% growth in revenue to HK\$262.3 million (S\$55.4 million), buoyed by an expansion of the Group's network of exclusive *Colour Zone* retail outlets in China by 34% to more than 710. Colour cosmetics remained the major contributor in the year, accounting for 64.1% of the Group's total sales, while skincare products contributed the remaining 35.9% of its turnover.

In the fourth quarter of 2004 alone, Beauty China's sales rose 43.2% to HK\$84.5 million (S\$17.8 million), while net profit increased by 41.0% to HK\$29.5 million (S\$6.2 million). This was mainly attributable to the increase in the number of *Colour Zone* retail outlets, a wider product range and increased exposure of the brand as a result of intensive advertising and promotion campaigns throughout China.

¹ Based on exchange rate of HK\$4.7371 = S\$1

Commenting on the results, Mr Sam Wong, Beauty China's Chairman and Managing Director said, "Beauty China has had a remarkable year, with our distribution network continuing to grow rapidly. Besides new store roll-outs from existing customers and distributors, our Group established new and exciting distribution channels this year. In October 2004, we announced our tie-up with Watsons which has around 22 stores in Shanghai, and in November 2004, *Colour Zone* became the first local colour cosmetics brand to have a presence in retail giant Wal-Mart's 40 stores across China. To date, our *Colour Zone* products are available in six Wal-Mart stores in Shenzhen, Tianjin, Dalian and Nanning, and two Watsons' stores in Shanghai."

Yesterday, the Group's wholly-owned subsidiary, Colour Zone (H.K.) Limited, signed a distribution agreement with the leading Hong Kong-based cosmetics retailer and beauty services group, Sa Sa.

The agreement stipulates that Sa Sa will have the exclusive distribution right to retail Beauty China's *Colour Zone* brand of colour cosmetics and skincare products in its 40 stores in Hong Kong and two outlets in Macau. Its *CharmingLady* will be available at selected Sa Sa stores that attract a large proportion of professional and mature clientele.

"Distributing our products in Hong Kong and Macau marks an important first step in penetrating overseas markets outside Mainland China. Moreover, having a strategic retail presence amongst top international brands in Sa Sa's 42 stores will help to elevate our brand profile of *Colour Zone* and *CharmingLady* among the Mainland Chinese consumers who visit these stores overseas," said Mr Sam Wong, Beauty China's Chairman and Managing Director.

"We are also exploring the possibility of selling our products through Sa Sa's eight stores in Singapore, four in Taiwan and 11 in Malaysia later this year," Mr Wong added.

Sa Sa was identified as one of the most popular retail outlets in Hong Kong frequented by the tourists from Mainland China in a survey conducted in May 2004 by international financial institution, CLSA. Sa Sa was also ranked ninth and the only cosmetics specialty store among Hong Kong's Top 10 Retailers in KPMG and Retail Asia Magazine's "Retail Asia-Pacific Top 500" survey this year.

The Group has appointed a separate spokesperson for its *Colour Zone* brand specifically for the Hong Kong market -- popular Hong Kong-based singer and actress Yumiko Cheng (郑希怡). This is in addition to pop-duo "Twins", *Colour Zone*'s spokespersons in Mainland China, and Hong Kong actress Coco Jiang as the brand ambassador for *CharmingLady*.

Earnings per Share/Dividend Announcement

Based on the Group's latest full-year performance, earnings per ordinary share (based on the weighted average issued share capital of 342,360,620 shares) increased from 23.3 HK cents (4.9 Singapore cents) to 25.8 HK cents (5.4 Singapore cents). The Group's net asset value per ordinary share grew from 42.6 HK cents (9.0 Singapore cents) to 65.6 HK cents (13.8 Singapore cents).

The Directors have proposed a final dividend of 0.9 Singapore cent per ordinary share.

Business Prospects

Colour cosmetics, which accounts for 64.1% of total turnover in FY2004, is Beauty China's core business segment, and is expected to remain as an important part of its product offering. Sales for skincare products, which account for the remaining 35.9% of sales, is expected to continue to accelerate at a healthy rate.

To further broaden its product offerings, Beauty China had introduced *Colour Zone*'s skin whitening range and bodycare products in May and September 2004 respectively. In October 2004, the Group launched a new range of colour cosmetics by *CharmingLady* aimed at matured and sophisticated ladies with relatively higher disposable income. In 2005, Beauty China plans to roll out more stylish and trendy colour cosmetics products, as well as introduce a range of sunscreen products under the *Colour Zone* brand, and *CharmingLady*'s new skincare range.

Branding and promoting consumer loyalty are key critical success factors that have enabled the Group to grow its market share. Advertising and promotions, such as in nationally-circulated magazines, television and billboards, will continue to be Beauty China's primary focus.

To achieve higher levels of brand recognition, the Group plans to open up to 15 flagship stores in major cities of China such as Beijing and Shanghai in two to three years after retail licenses are obtained.

“By the end of FY2005, our target is to have no less than 900 retail outlets not only in the Mainland China, but Hong Kong, Macau and the rest of Asia as well,” Mr Wong said.

Against the backdrop of promising economic growth and increasing awareness of personal grooming in Mainland China, the Group is confident of its competitive edge to meet the challenges from both foreign and local players. Barring any unforeseen circumstances, the Directors are optimistic of the Group's performance in the next 12 months,” he added.

About Beauty China

Beauty China owns and manages the Colour Zone brand of colour cosmetics and skincare products targeted at young and trendy women in Mainland China, aged between 18 and 28 years in the mass market. Colour Zone was voted one of “The Ten Best Brands” in the PRC cosmetics industry², in two consumer goods market surveys conducted in March 2003 and March 2004.

With more than 500 varieties of individual end-products, Colour Zone products are retailed in over 710 outlets which are dedicated counters in department stores and standalone specialty stores throughout China, as far reaching as Xinjiang, Tibet and Inner Mongolia. The retail outlets are owned and operated by more than 80 customers of Beauty China, who are independent distributors and retailers. The outlets carry only Colour Zone products at retail prices recommended by Beauty China. To broaden the target consumer group of its products, Beauty China has also launched a new “CharmingLady” range of colour cosmetics marketed as a sub-brand of Colour Zone which targets ladies above the age of 25 with relatively higher disposable income and is initially retailed at professional beauty salons in Mainland China.

As Beauty China focuses on brand management, it concentrates on design and development of products, demand creation and production management. Other non-core activities, such as logistics, product processing and product distribution, are outsourced to third parties. Beauty China designs and conceptualises the way its products are packaged, marketed and sold, and ensures that these are adopted consistently by all its distributors and retailers.

To maintain quality of Colour Zone and CharmingLady products, Beauty China sources the imported materials used in the manufacture of finished products on behalf of its customers, and selects suitable factories in China to process such materials based on a set of selection criteria. Beauty China also conducts quality checks on its products at the approved processing factories, as well as at its customers' outlets

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² In two market surveys conducted jointly by the China Product Safety Monitoring and Testing Centre (中国产品安全评价监测中心), the China Association of Industry Investigation and Statistics(中国调查统计行业协会) and the China Association of Famous Brands(中国名牌商品协会) in March 2003 and March 2004.