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**Beauty China's first quarter earnings  
up 26.3% to HK\$17.2M  
as sales rise 30.6% to HK\$49.9M**

- *Colour Zone outlets continue to increase all over China*
- *On track to have 700 outlets by end 2004*

**SINGAPORE – 6 May 2004** – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China”), a brand management company that owns and manages the *Colour Zone* brand of cosmetics and skin care products catering to the PRC market, today announced a 26.3% rise in net profit to HK\$17.2 million (S\$3.7 million<sup>1</sup>) for the first quarter ended 31 March 2004.

This was achieved on the back of a 30.6% surge in sales of its *Colour Zone* brand of colour cosmetics and skin care products to HK\$49.9 million (S\$10.7 million), thanks to the Group's intensive advertising and promotion campaigns, boosted by product endorsements from *Colour Zone*'s new brand ambassadors – the sizzling Hong Kong-based pop divas Twins.

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<sup>1</sup> Based on exchange rate of HK\$4.6425 = S\$1

In the first three month of the financial year, *Colour Zone* retail outlets had also increased by more than 20 to over 550 (as at 31 March 2004), and is on track to achieve its target of 700 outlets by year's end.

Commenting on the results, Mr Sam Wong, Beauty China's Chairman and Managing Director said, "The response from our print advertisements and television commercials has been very encouraging, thanks to the product endorsements from Twins who have tremendous popularity in China and Hong Kong right now. Our *Colour Zone* products, especially those that appear on our advertisements, are selling like hot cakes all over China!"

"The relatively higher average margins from our new products rolled out in 2003, have also slightly improved our gross profit margin of 65.2%, compared to 64.5% for the same period a year ago," Mr Wong added.

Based on the latest results, earnings per ordinary share (based on the weighted average issued share capital of 342,360,620 shares) was 5.0 HK cents (1.1 Singapore cent) while the Group's net asset value per ordinary share was 47.6 HK cents (10.3 Singapore cents).

"Competition amongst domestic and imported cosmetics brands are expected to heat up further this year, especially with foreign competitors bypassing import barriers by forging joint ventures, merging with or acquiring domestic companies in the PRC. We have prepared well to meet these challenges by continuing our brand-building efforts to appeal to our target group of consumers," said Mr Wong.

"Besides stepping up on advertising and promotion activities involving Twins, we will launch the *Colour Zone* whitening skin care products at the upcoming China International Beauty Expo in Shanghai this month, as well as introduce a new range of colour cosmetics products for professional beauty salons in the PRC in the fourth quarter of this year, targeting at ladies aged over 25," Mr Wong informed.

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In March 2004, the Group had set up a representative office in Shanghai to support its marketing efforts in Eastern China. Going forward, Beauty China plans to establish offices in other strategic cities in the Mainland to facilitate its nationwide marketing thrust.

“A handful of SARS cases have been reported in China recently and the Directors are closely monitoring the developments, and if necessary, will review the operation of the Group to respond accordingly,” Mr Wong said.

“However, with Beauty China’s proven business strategies, competitive edge, increasing market recognition and penetration of the *Colour Zone* brand in the PRC, and our experience and familiarity in the China cosmetics market, the directors continue to be 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 skin care products targeted at young and trendy women in the PRC, aged between 18 and 28 years. Colour Zone was voted one of “The Ten Best Brands” in the PRC cosmetics industry<sup>2</sup>, in two consumer goods market surveys conducted in March 2003 and March 2004.*

*With more than 400 varieties of individual end-products, Colour Zone products are retailed in over 550 outlets throughout the PRC, 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.*

*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 administrative functions relating to purchasing, sales, logistics and product processing, are outsourced to third parties. Beauty China designs and conceptualises the way Colour Zone 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 products, Beauty China sources the materials used in the manufacture of Colour Zone products on behalf of its customers, and selects suitable factories to process such materials based on a set of selection criteria. Beauty China also conducts quality checks on Colour Zone products at the approved processing factories, as well as at its customers’ outlets.*

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<sup>2</sup> 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.