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## **Beauty China posts 29.6% increase in interim net profit to HK\$32.5 million**

- *Revenue rises 34.1% to HK\$100.2 million as Colour Zone outlets increase to more than 600 for the first six months of FY2004*
- *Plans to introduce new range of cleansing products in 3Q2004*
- *New “CharmingLady” cosmetics targeted at ladies aged over 25 ready to be launched in 4Q2004*

**SINGAPORE – 2 August 2004** – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or “the Group”), 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 strong financial performance for the half year ended 30 June 2004.

For the first six months of the year, Beauty China posted a 29.6% rise in net earnings to HK\$32.5 million (S\$7.1 million<sup>1</sup>) on the back of a 34.1% surge in revenue to HK\$100.2 million (S\$22.0 million), when compared to the year-ago period.

On the latest quarter-to-quarter comparison, the Group achieved a 33.4% increase in net profit to HK\$15.4 million (S\$3.4 million) on a 37.7% increase in sales to HK\$50.3 million (S\$11.0 million), mainly driven by the expansion of its network of *Colour Zone* retail outlets to more than 600 in the PRC, focused advertising campaigns and increased product offering.

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<sup>1</sup> Based on exchange rate of HK\$4.562 = S\$1

“We are pleased with our Group’s performance so far, especially the second quarter which is traditionally a low season for us. We also managed to achieve higher gross profit margin of 65.3% due to the higher average margin of our newly launched products,” said Mr Sam Wong, Beauty China’s Chairman and Managing Director.

Based on the Group’s half-year results, earnings per share (based on the weighted average number of 342,360,620 shares) increased from 9.1 HK cents to 9.5 HK cents (2.1 Singapore cents), whilst its net asset value per ordinary share increased from 42.6 HK cents as at 31 December 2003 to 49.3 HK cents (10.8 Singapore cents) as at 30 June 2004.

Beauty China’s retail network expansion, which increased from 550 outlets in 1Q2004 to more than 600 by end of 2Q2004, was led by the Group’s extensive advertisements featuring Colour Zone’s brand ambassadors – Hong Kong-based pop divas “Twins” – in nationwide magazines and television commercials broadcast in over 100 stations across China. Coupled with participations in trade fairs and event sponsorships, the Group’s selling and distribution costs increased 41.8% to HK\$20.9 million.

“Our intensive marketing efforts are bearing fruit and we are seeing increased brand awareness all over China,” Mr Wong said.

In the third quarter of this year, Beauty China plans to launch a new range of *Colour Zone* cleansing products such as shampoo, bath fluids and hand wash, and in the last quarter of this year, a new range of cosmetics targeted at ladies above the age of 25 with relatively higher disposable income. This new specially-formulated range of colour cosmetics – Beauty China’s sub-brand, “CharmingLady” – will only be sold in professional beauty salons in the PRC.

“We have received fairly positive response for ‘CharmingLady’ from potential distributors and are in the process of screening them. We are on target to launch this new range in the fourth quarter of this year,” commented Mr Wong.

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Earlier this year, Beauty China had launched some new *Colour Zone* whitening skin care products, which had also received encouraging response among its retail customers.

“Moving forward, the Group expects to meet our target of 700 outlets by year-end. Most of these outlets will adopt a new look we introduced in March this year, which will further reinforce our brand image.” said Mr Wong.

“Despite the opening up and increasing competitiveness of the cosmetics market in the PRC, we are strengthening our position through our widening distribution network, effective brand building strategies and broadening product range. Barring any unforeseen circumstances, the directors continue to be optimistic about the Group’s performance for 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 500 varieties of individual end-products, Colour Zone products are retailed in over 600 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.