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Beauty China's Colour Zone products gain entry into Wal-Mart stores in China

- *The first local colour cosmetics brand to retail in Wal-Mart stores in the PRC*
- *On target to hit 700 Colour Zone retail outlets by year-end*

SINGAPORE – 9 November 2004 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China”), a brand management company that owns and manages the *Colour Zone* brand of cosmetics products catering to the PRC mass market, today announced that its *Colour Zone* products would be available in Wal-Mart stores across the PRC.

Beauty China aims to have its flagship *Colour Zone* brand of colour cosmetics and skincare products in most of Wal-Mart's 40 stores across cities in the PRC – spanning Beijing, Guangdong, Yunnan, Hunan, Fujian, Jiangxi, Liaoning, Jilin, Heilongjiang, Shangdong, Jiangsu, Tianjin, Guangxi and Guizhou – by the end of this year. “We believe that Colour Zone is the first local colour cosmetics brand to retail in all Wal-Mart stores in China,” said Mr Sam Wong, Beauty China's Chairman and Managing Director.

This follows an earlier announcement that Beauty China's *Colour Zone* products are distributed in two Watsons retail chain stores in Shanghai, with more Watsons stores being planned by year's end. The total number of *Colour Zone* retail outlets in China, to date, has reached more than 680 outlets.

“Wal-Mart and Watsons are well-known retail chain stores which have stringent selection criteria with regard to the types of products distributed in their stores. Having established distribution channels in Wal-Mart and Watsons is a major achievement for the *Colour Zone* brand as it proves that our brand has gained significant recognition,” said Mr Wong.

“With our latest entry into the popular Wal-Mart stores, it looks quite likely that we are on track to hit our target of 700 retail points by end of this year. This new distribution channel will speed up our expansion plan as it is more efficient for our customers to contract directly with a retail chain store operator such as Wal-Mart,” Mr Wong added.

In addition, all products selected for distribution in Wal-Mart and Watsons stores have to pass stringent criteria tests, a further testament to the high brand and product quality standards of *Colour Zone* products.

“We received very positive market responses with the entry of *Colour Zone* products into Watsons stores in Shanghai, and we hope to experience likewise for Wal-Mart stores. We will continue to find reputable and suitable retail chains to facilitate the distribution of *Colour Zone* products across the PRC,” he concluded.

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 in the PRC mass market. Colour Zone was voted one of “The Ten Best Brands” in the PRC cosmetics industry¹, 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 680 outlets which are dedicated counters in department stores and standalone specialty stores 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. 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 aims at ladies above the age of 25 with relatively higher disposable income and is initially retailed at professional beauty salons in the PRC.

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 Colour Zone products are packaged, marketed and sold, and ensures that these are adopted consistently by all its distributors and retailers.

¹ 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.

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.

For the first nine months of 2004, Beauty China turned in a 29.8% rise in net earnings to HK\$58.7 million (S\$12.7 million) on the back of a 37.8% rise in revenue to HK\$177.8 million (S\$38.5 million), when compared to the year-ago period.

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