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Another rosy first-half for Beauty China

- *Net profit up 31.8% to HK\$42.9 million on a 28.7% surge in sales to HK\$128.9 million*
- *Number of Colour Zone stores and counters rose to more than 780 as at 30 June 2005*

SINGAPORE – 15 August 2005 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or “the Group”), a brand management company that owns and manages two brands of colour cosmetics and skin products – *Colour Zone* and *CharmingLady* – that cater to the PRC market, yesterday announced another rosy financial performance for the half year ended 30 June 2005.

The Group posted a 31.8% increase in net earnings to HK\$42.9 million (S\$9.4 million¹) on sales of HK\$128.9 million (S\$28.3 million), which surged by 28.7%, boosted by its consistently strong growth in its retail network in Mainland China, Hong Kong and Macau.

On the latest quarter-to-quarter comparison, the Group achieved a 33.3% rise in net profit to HK\$20.5 million (S\$4.5 million) whilst sales grew by 24.8% to HK\$62.8 million (S\$13.8 million).

In the second quarter, Beauty China’s distribution network expanded by approximately 40 retail outlets to more than 780 as at 30 June 2005, thanks to its relentless effort in

¹ Based on exchange rate of HK\$4.562 = S\$1

increasing the equity of its two brands through focused advertising and promotion campaigns as well as expanding its product range. This also includes its presence in 15 Walmart and 3 Watson's stores in Mainland China, as well as 40 Sa Sa stores in Hong Kong and Macau. For the first half of 2005, Hong Kong and Macau sales contributed about 2% of the Group's turnover.

Commented Mr Wong Hon Wai, Beauty China's Chairman and Managing Director: "Beauty China's growth since its listing has been phenomenal. However, as China is a huge market, particularly in the booming aesthetics market, we believe there is much room for continued growth. The rate of revenue growth in the second quarter was also hampered by exceptionally heavy rainstorms in certain parts of Mainland China which affected our distributors' retail business.

As a result of escalating oil prices, which affects its cost of plastic packaging materials, the Group's gross profit margin in the second quarter dipped to 62.5%, compared to 63.3% in the first quarter of 2005, and 65.4% for the same period last year.

"The impact of escalating oil prices, which affects our packaging costs, can be mitigated as we are continually expanding our product range and modifying our packaging," Mr Wong explained.

Based on the Group's half-year results, earnings per share (based on the weighted average number of 342,360,620 shares) increased from 9.5 HK cents to 12.5 HK cents (2.7 Singapore cents), whilst its net asset value per ordinary share increased from 65.6 HK cents as at 31 December 2004 to 73.9 HK cents (16.2 Singapore cents) as at 30 June 2005.

Ongoing brand-building, advertising and promotions is crucial in gaining market share. The Group's *Colour Zone* brand has two brand ambassadors – Hong Kong-based pop divas "Twins" who are very popular in China, and Ms Yumiko Cheng for Hong Kong and Macau. Its *CharmingLady* brand, which caters to a more sophisticated group of consumers with relatively higher disposable income, has celebrity endorsement from Ms Coco Jiang.

For the second quarter this year, the Group's selling and distribution costs increased 39.2% to HK\$15.6 million, largely comprising extensive advertisements in nationwide magazines and television commercials broadcasted in over 100 stations across China, coupled with its participation in trade fairs and event sponsorships. Its *Colour Zone* brand is the main sponsor of "Colour Zone - Super Idol" talent quest, whose finals will be held in Beijing on 25 September 2005. Launched on 20 June 2005, China's "Colour Zone - Super Idol" (色彩地带Super Idol下一站天后2005超级新秀大赛), a nationwide talent quest, has received more than 10,000 participants through its regional heats in 6 cities -- Shenyang, Beijing, Wuhan, Chongqing, Guangzhou and Shanghai. Sponsored by Beauty China's Colour Zone brand and Nokia, the Beijing finals next month is expected to be well-covered by the Chinese and regional media.

In its latest half-year results, Beauty China's expenditure on advertising and promotion, as a percentage of sales, correspondingly rose to 16.0% in the second quarter of 2005 from 13.2% in the same period last year.

"Moving forward, Beauty China is on track to achieve our target of more than 900 outlets by the end of 2005. Although the competitive environment in the PRC continues unabated, we have continued to work hard at maintaining our growth momentum, and strategically planning for our business expansion in China by expanding our distribution network, brand equity and product range. Barring any unforeseen circumstances, the directors continue to be optimistic about the Group's performance in the next 12 months," Mr Wong said.

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 780 outlets which are mainly 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

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.

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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