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Beauty China's third quarter net profit up 30.0% to HK\$26.1 million

- *Revenue rises 43.0% to HK\$77.6 million as a result of the continued expansion of Colour Zone outlets and intense advertising strategies in the PRC*
- *Colour Zone outlets exceeded 650 in the PRC as at 30 September 2004*

SINGAPORE – 9 November 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 colour cosmetics and skin care products catering to the PRC mass market, today announced robust financial performance for the third quarter of FY2004 ended 30 September 2004.

In the latest quarter, the Group achieved a 30.0% increase in net profit to HK\$26.1 million (S\$5.7 million¹) on a 43.0% surge in sales to HK\$77.6 million (S\$16.8 million), mainly driven by the continued expansion of its network of *Colour Zone* retail outlets to more than 650 in the PRC as at 30 September 2004, and intense advertising strategies focused on raising consumer awareness of the *Colour Zone* brand.

For the first nine months of the year, 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 same period of FY2003.

¹ Based on exchange rate of HK\$4.6125 = S\$1

“In the current third quarter, our selling and distribution costs surged 89.4% to HK\$17.0 million (S\$3.7 million) mainly due to our extensive marketing campaigns as we have allocated a larger percentage of our third quarter revenue, about 15.1%, for advertising and promotions. Last year, our budget was only 11.3% of third quarter revenue,” said Mr Sam Wong, Beauty China’s Chairman and Managing Director.

“We have also appointed popular Hong Kong actress Coco Chiang, who starred in the Jackie Chan movie “New Police Story”, as the ambassador of our new “CharmingLady” product range. I’m happy to report that our marketing efforts have bore fruit as evidenced by our increase in sales,” Mr Wong said

In September 2004, the Group established a wholly-owned subsidiary, Colour Zone Macao Commercial Offshore Limited, registered under the Offshore Law of Macau. This subsidiary has since taken over the Group’s trading business, of which the profit generated is tax-exempt. In the third quarter of FY2004, Beauty China’s tax expenses declined by 30.7% to approximately HK\$2.8 million (S\$0.6 million).

Based on the Group’s nine-month results, earnings per share (based on the weighted average number of 342,360,620 shares) increased from 16.4 HK cents to 17.1 HK cents (3.7 Singapore cents), whilst its net asset value per ordinary share increased from 42.6 HK cents as at 31 December 2003 to 57.0 HK cents (12.3 Singapore cents) as at 30 September 2004.

The Group has rolled out a set of *Colour Zone* cleansing products including shampoos, bath fluids and handwashes in September 2004 and in October 2004, its new line - “CharmingLady” - whose range of colour cosmetics is targeted at mature, sophisticated ladies with relatively higher disposable income. “CharmingLady” products are initially retailed in professional beauty salons in the PRC and marketed as a sub-brand of *Colour Zone*.

“The current oil price hike is a concern for us as we have seen a higher average cost of plastic packaging materials that we use for our colour cosmetics and skin care products. We have taken some immediate measures to mitigate this inflation, such as adjusting product packaging design to use fewer plastic components, as well as pricing our new products higher while maintaining the prices of existing products,” said Mr Wong.

“To date, the number of Colour Zone retail outlets has reached more than 680. Moving forward, the Group is confident of meeting our target of 700 outlets by year-end. Barring unforeseen circumstances, the Directors remain optimistic of the Group's performance in the next 12 months,” Mr Wong 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 in the PRC 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 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.

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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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.