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Beauty China's 3Q net profit up 31.2% to HK\$34.3M on record-high sales of HK\$106.1M

- *In the third quarter alone, Group added more than 60 Colour Zone retail outlets in Mainland China to more than 840*
- *Well on target to have more than 900 outlets by end of the year*

SINGAPORE – 8 November 2005 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or “the Group”), a brand management company that owns and manages *Colour Zone* and *CharmingLady* brands of colour cosmetics and skincare products in China, today reported a 31.2% rise in net profit to HK\$34.3 million (S\$7.5 million¹) for the three months ended 30 September 2005.

Boosted by its consistently strong growth in its retail network, Beauty China chalked up a 36.7% increase in sales to HK\$106.1 million (S\$23.1 million). In the third quarter of FY2005, the Group added another 60 retail counters and stand-alone stores, totalling more than 840 *Colour Zone* outlets as at 30 September 2005. *Colour Zone* cosmetics products are also available in approximately 17 Walmart and 11 Watson's stores in Mainland China, as well as 40 Sa Sa stores in Hong Kong and Macau. Beauty China expects to meet its target of 900 *Colour Zone* outlets in Mainland China by Christmas this year.

¹ Based on exchange rate of HK\$4.5878 = S\$1

For the first nine months of the year, Beauty China reported a 31.6% rise in net earnings to HK\$77.2 million (S\$16.8 million) on sales of HK\$235.0 million (S\$51.2 million), which represented a 32.2% increase from the previous corresponding period.

In the latest nine months ended 30 September, Beauty China's earnings per share (based on the weighted average number of 342,360,620 shares) increased from 17.1 HK cents to 22.5 HK cents (4.9 Singapore cents), whilst its net asset value per ordinary share rose from 65.6 HK cents as at 31 December 2004 to 83.9 HK cents (18.3 Singapore cents) as at 30 September 2005.

Despite escalating oil prices which raised the cost of plastic packaging materials, Beauty China managed to improve its overall gross profit margin from 62.4% in 3Q04 to 63.3% in 3Q05 through the launch of new products with higher average margins without increasing the selling prices of existing products. Advertising and promotion expenses, the major component of the Group's selling and distribution costs, increased in line with sales growth by 58.0% to HK\$17.7 million, and hovered around 16.7% of revenue for 3Q05, compared to 15.1% in the same quarter a year ago.

Going forward, Beauty China will continue to focus on gaining market share through building the profile of its *Colour Zone* and *CharmingLady* brands, particularly through concerted advertising and promotions efforts. Besides the usual advertisements in nationwide magazines and television commercials broadcasted in over 100 stations across China, Beauty China's *Colour Zone* brand was the main sponsor of "Colour Zone - Super Idol" (色彩地带 Super Idol 下一站天后 2005 超级新秀大赛), a nation-wide talent quest whose finals was held in Beijing on 25 September 2005. Launched on 20 June 2005, "Colour Zone - Super Idol" had received more than 10,000 participants through its regional heats in 6 cities -- Shenyang, Beijing, Wuhan, Chongqing, Guangzhou and Shanghai.

"Moving ahead, Beauty China expects to face continued competition from both foreign and local players in China's cosmetics market, as well as fluctuating oil prices which would impact on the cost of plastics packaging materials and logistics. However, we will take appropriate measures to address these challenges," Mr Wong said.

To further enhance the Group's competitive edge, particularly in the area of product innovation and quality, the Group has decided to develop its own product research and development ("R&D") capabilities in China with an experienced Japanese cosmetics R&D firm as consultant, instead of just relying on common formulae offered by its suppliers used in most of its colour cosmetics and skincare products. Beauty China plans to invest not more than HK\$20 million in the set-up of an R&D centre by 2006.

"We feel that R&D is critical to sustaining the Group's long-term growth especially if we are to differentiate ourselves from the rest of the local cosmetics companies in China. However it will probably take a couple of years to develop a cosmetics product unique in the market. Before the first product is rolled-out, our proposed R&D centre will also focus on enhancing the quality of our existing products," Mr Wong explained.

"I assure you that our investment in developing this R&D centre will be minimal. Barring any unforeseen circumstances, the Directors of Beauty China remain optimistic of the Group's performance in the next 12 months," he added.

About Beauty China

Beauty China owns and manages "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. Developed in 1996, 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 600 varieties of individual end-products, Colour Zone products are retailed in over 840 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 70 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" brand of colour cosmetics and skincare products in late 2004 which targets ladies above the age of 25 with relatively higher disposable income and is mostly retailed at department store counters separated from Colour Zone's and 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.

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.

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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