



**Beauty China Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)  
(Company Registration No. 118384)  
Unit 1103, COL Tower, Wharf T&T Square  
123 Hoi Bun Road, Kwun Tong, Hong Kong  
Tel: (852) 2891 2227 Fax: (852) 2891 7710  
www.beautychinaholdings.com

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**Contact Information:**

**August Consulting**

Tel: (65) 6733 8873 Fax: (65) 6733 9913

HO See Kim – [seekim@august.com.sg](mailto:seekim@august.com.sg)

CHIN May Nah – [maynah@august.com.sg](mailto:maynah@august.com.sg)

## **Beauty China completes acquisition of new GMP-compliant cosmetics factory in Zhuhai**

- *Commercial production is permitted to start immediately*
- *Expects GMP certification by end 2007*

**SINGAPORE – 3 October 2007** – Mainboard-listed **Beauty China Holdings Limited**, which owns and manages the Colour Zone and CharmingLady brands of colour cosmetics and skincare products in China, today announced that on 2 October 2007, it had acquired the entire issued and paid-up capital of Fu Teng International Limited, which indirectly owns a brand-new GMP-compliant cosmetics production facility in Zhuhai, Guangdong Province.

“We are very pleased that with the completion of this acquisition, Beauty China has become an integrated cosmetics company. The expected GMP certification by end of this year will probably establish us as one of the very few GMP-certified production plants in China that is able to produce a full range of colour cosmetics, skincare, body-care and hair-care products. This definitely gives Beauty China an early mover advantage, as the Chinese government further tightens regulations on cosmetics manufacturing to be in line with international standards,” said Mr Wong Hon Wai, Beauty China’s Chairman and Managing Director.

“We are also glad to report that the trial production of the facility in the last few months has been successful and commercial production is scheduled to begin next week after

the National Day holidays in China. Going forward, having control over our own manufacturing facility can secure a reliable supply of high quality products under our brands. We also look forward to expanding our future revenue stream by manufacturing cosmetics and skincare products on an OEM/ODM basis. In fact, Beauty China will be participating in the upcoming Cosmoprof Asia – the largest international beauty event in the region, which will be held in Hong Kong from 14-16 November. We hope this event will present more OEM/ODM opportunities for us,” said Mr Wong.

On 30 August 2007, the Group incorporated an intermediate holding company in the British Virgins Islands for its manufacturing arm, called Kist Corporation.

#### ***About the Cosmetics Factory***

Located on an 85,439 sq.m land parcel in the Jin Wan Industrial Zone of Zhuhai, the cosmetics production facility has a total gross floor area of approximately 32,803 sq.m. The facility houses four blocks of workshop buildings with 24 production lines, as well as one block of six-storey dormitory building and one block of two-storey canteen.

When running at two labour shifts, the factory is capable of a maximum annual capacity of 132 million units of cosmetics products – comprising 30 million pieces of lipsticks; 43 million pieces of facial powder products; 7 million bottles of nail polishes; 28 million units of skincare products; and 24 million units of hair colourant products.

#### ***About the Acquisition***

The Group signed a Share Purchase Agreement (“SPA”) on 26 February 2007 to acquire from an independent third-party (the “Vendor”) the entire shareholding in Samoa-incorporated Fu Teng International Limited (“Fu Teng”), which in turn holds 100% of Zhuhai City Mei Zhi Hui Ri Hua Co., Ltd. (珠海市美之荟日化有限公司) (“Mei Zhi Hui”), for a total consideration of HK\$293 million (S\$57.2 million<sup>1</sup>) (the “Consideration”), comprising 75% in cash and 25% in new shares of Beauty China (the “Consideration Shares”).

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<sup>1</sup> Based on exchange rate of HK\$5.1195 = S\$1

Since then, Mei Zhi Hui has obtained the Hygiene Approval Permit, Production Approval Permit and provisional Business Licence from the relevant authorities in China. On 30 July 2007, the Group entered into a supplemental agreement with the Vendor, stating that its acquisition of Mei Zhi Hui would be completed once the provisional Business Licence is converted to a permanent status – which took place on 27 September 2007. Commercial production is allowed to commence immediately thereafter.

To date, Beauty China has paid 70% of the Consideration, which is a cash equivalent of HK\$205.1 million in two tranches. The final tranche – comprising 5% of the Consideration by cash equivalent to approximately HK\$14.7 million, and 25% of the Consideration by way of allotment and issuance of 14,027,488 Consideration Shares – will be paid when Mei Zhi Hui receives the GMP certificate by the end of the year. The Consideration Shares shall be issued at S\$1.02 each which is the average closing price of the shares of the Company quoted on SGX-ST for the last 10 trading days up to but not including the date of SPA. The Vendor has agreed not to dispose of any of the Consideration Shares within 6 months from the date of allotment and issuance of the Consideration Shares.

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***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 (Local) Brands” in the Chinese cosmetics industry<sup>2</sup> in 2003 and 2004. In April 2006, Colour Zone was the only local Chinese brand to be awarded one of the “2005 Top 10 Best Selling Brands” of colour cosmetics products by China General Chamber of Commerce and China National Commercial Information Center. In October 2006, Colour Zone was awarded jointly by ICN China, China National Commercial Information Center and Euromonitor as one of the “2005-2006 Most Popular Make-up Brands” in China, among Maybelline, L’Oreal, Yue-Sai and Aupres. Most recently in May 2007, Colour Zone and CharmingLady were awarded “2007 Most Influential Colour Cosmetics Brands” in China by the Organising Committee of the 12<sup>th</sup> China Beauty Expo which was held in Shanghai.*

*With more than 600 varieties of individual end-products, Colour Zone products are retailed in 1,345 outlets which are mainly dedicated counters in department stores and standalone specialty stores in every province throughout China, as far reaching as Xinjiang, Tibet and Inner Mongolia. The retail outlets are owned and operated by more than 60 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 launched a new “CharmingLady” brand of colour cosmetics and skincare products in December 2004, which targets ladies above the age of 25 with relatively higher disposable income and is retailed at about 214 department store counters separated from Colour Zone’s in Mainland China.*

*Beauty China designs and conceptualises the way its Colour Zone and CharmingLady products are packaged, marketed and sold, and ensures that these are adopted consistently by all its distributors and retailers. New products are regularly developed by partnering with overseas cosmetics research and development experts to meet different consumer needs in the local Chinese market.*

*In 2007, Beauty China plans to start the commercial operation of its own research and development centre, as well as to expand into the production of cosmetics products in Mainland China by acquiring a manufacturing facility. These moves will strengthen the Group’s market and brand position, and bring it closer to its aim of becoming an integrated cosmetics player.*

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<sup>2</sup> *In two market surveys conducted jointly by China Product Safety Monitoring and Testing Centre (中国产品安全评价监测中心), China Association of Industry Investigation and Statistics(中国调查统计行业协会) and China Association of Famous Brands(中国名牌商品协会) in March 2003 and March 2004.*