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Beauty China posts 25.5% higher net profit of HK\$52.2 million, on record-high 3Q sales

- *Continued expansion of retail network in Mainland China:
As at 30 September 2007
Colour Zone outlets = 1,418 (+73 in 3Q07)
CharmingLady outlets = 245 (+31 in 3Q07)*
- *The Group managed to contain gross margin squeeze from 62.8% in 2Q07 to 62.3% in 3Q07 in spite of rising oil prices*

Financial Highlights (HK\$'m)	3 months ended 30 September			9 months ended 30 September		
	2007	2006	Growth (%)	2007	2006	Growth (%)
Revenue	188.0	140.0	+ 34.2	421.3	315.8	+ 33.4
Gross Profit	117.0	87.4	+ 33.9	263.5	198.4	+ 32.8
Net Profit	52.2	41.6	+ 25.5	122.2	95.4	+ 28.1
Basic EPS (HK cents)	15.3	12.2	+ 25.5	35.7	27.9	+ 28.1
Fully-diluted EPS (HK cents)	15.1	11.8	+ 28.0	35.3	27.1	+ 30.3

SINGAPORE – 12 November 2007 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or the “Group”), which owns and manages the Colour Zone and CharmingLady brands of colour cosmetics and skincare products in China, today reported a 25.5% jump in net profit for the third quarter ended 30 September 2007 (“3Q2007”) to HK\$52.2 million (S\$9.8 million¹), which was achieved on the back of record high turnover that surged 34.2% to HK\$188.0 million (S\$35.2 million).

¹ Based on exchange rate of HK\$5.3370 = S\$1

In the latest quarter, the Group managed to add 73 Colour Zone outlets and 31 CharmingLady outlets to its ever-growing retail network throughout Mainland China.

As at 30 September 2007, Beauty China had 1,418 Colour Zone outlets and 245 CharmingLady outlets in Mainland China, with the highest number of Colour Zone outlets in Fujian, Zhejiang, Guangdong and Hubei provinces. On top of this, Colour Zone products are also available in 34 Sa Sa stores in Hong Kong and Macau.

Colour Zone, the Group's flagship brand and key revenue generator, contributed to about 89.6% of the total revenue during the quarter under review, while CharmingLady accounted for the remaining 10.4%.

Commenting on its Group's performance for 3Q2007, Mr Wong Hon Wai, Beauty China's Chairman and Managing Director, said, "We have made great effort to grow our retail network which is reflected in the spectacular sales performance. While both brands are growing nicely, I am particularly pleased with CharmingLady's achievement of sales doubling in the first nine months of FY2007, thanks to our focus on brand promotion and building customer loyalty."

At the operating level, selling and distribution costs rose 44.4% year-on-year to HK\$58.5 million, of which advertising and promotion ("A&P") expenses comprised a major component. With the enhanced media exposure in various channels throughout China, including print advertisements, television commercials, media sponsorships and promotional events, A&P expenses rose to HK\$39.4 million, or 20.9% of total sales for 3Q2007 which is in line with the Management's full year target of around 20%.

Of the total A&P expenditure, some HK\$10.7 million was spent on promoting the CharmingLady brand, up from HK\$3.3 million in the same period a year ago.

"CharmingLady, a relatively newer brand compared to our flagship Colour Zone brand, will require more A&P resources to secure top-of-mind recall, brand awareness, and customer loyalty. However, we will try to cap our total A&P expenditure to 20% of total sales in FY2007," said Mr Wong.

Despite the escalation of oil prices globally, which has an impact on the cost of packaging materials for Beauty China, the Group managed to contain the squeeze on its gross profit margin in the region of 62% (3Q2006: 62.4%; 2Q2007: 62.8%; 3Q2007: 62.3%) by launching new products with relatively higher margins.

Net profit margin declined slightly from 29.7% in 3Q2006 to 27.8% in 3Q2007 largely due to higher costs in distribution, administration, and finance.

Based on the latest results, the Group's fully-diluted earnings per ordinary share grew from 11.8 HK cents in 3Q2006 to 15.1 HK cents (2.8 Singapore cents) in 3Q2007. Net asset value per ordinary share rose from 125.9 HK cents as at 31 December 2006, to 158.6 HK cents (29.7 Singapore cents) as at 30 September 2007.

Business Updates

On 2 October 2007, Beauty China completed the acquisition of a new cosmetics manufacturing facility in Zhuhai, Guangdong Province, pursuant to a share purchase agreement entered into on 26 February 2007 and a supplemental agreement dated 30 July 2007.

The facility is purpose-built to the internationally-recognised Good Manufacturing Practice ("GMP") standard, and has commenced commercial production since October 2007. The Group received, on 31 October 2007, a letter from SGS, the world's leading certification company, confirming that its production facility had successfully passed a Site Certification Assessment which was conducted on 29 and 30 October 2007. SGS said that no major non-conformance issues were found, and that a GMP certificate would be issued upon its final internal approval.

"We believe that owning a GMP-compliant production facility such as this will provide a quality and reliable supply of finished products which is critical to our long-term growth. This new business will also enlarge our future revenue streams through OEM manufacturing in the future. With the Chinese government further tightening regulations on cosmetics products, Beauty China's early-mover advantage with a GMP-compliant factory will put us in good stead amongst most of our competitors. However, the Group may encounter short-term cost pressure due to higher operating

expenses in our new manufacturing business before production is fully ramped up,” said Mr Wong.

Prospects

The Group expects that China’s economic growth will continue its upward trend, spurring consumer focus on personal grooming and aesthetics. As such, the Group expects demand for its high quality cosmetics products to remain strong.

Against this backdrop of strong growth, the Group will continue to focus on expanding its retail presence in China and is on track to meet, and even exceed, its target of 1,500 retail points for Colour Zone. In addition, it will focus on enhancing its product mix and building brand loyalty.

Recently, the Group decided not to renew the contracts with two CharmingLady distributors in Chongqing and Liaoning, out of its approximately 50 distributors across China. Both distributors were unable to meet up to the Group’s expectations and operated about 20 CharmingLady outlets. As a result, the Group’s target for CharmingLady retail points by the end of FY2007 will be adjusted from 300 to 280. The Group believes the revised target will not have a significant impact on its full year performance.

With the volatility of oil prices in recent times, the Group expects that erosion of profit margins may be unavoidable in the near term whenever it is not practicable to immediately pass on the increase in material costs to its customers. However, to mitigate the impact, the Group will continue to develop new products with higher margins.

Barring any unforeseen circumstances, the Directors of Beauty China remain cautiously optimistic of the Group’s performance in the next 12 months.

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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 industry² 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.

With more than 600 varieties of individual end-products, Colour Zone products are retailed in 1,418 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 245 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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² 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.