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Beauty China posts 30.3% rise in 1Q07 net profit to HK\$35.4 million

- Revenue up 31.6% to HK\$114.7 million as retail network in China continues to expand to more than 1,450 Colour Zone and CharmingLady outlets
- Margins stable despite increase in material costs and A&P expenses

Financial Highlights (HK\$'million)	3 months ended 31 March		
	1Q2007	1Q2006	Growth (%)
Revenue	114.7	87.2	↑ 31.6
Gross Profit	71.9	55.5	↑ 29.5
Net Profit	35.4	27.2	↑ 30.3
Basic EPS* (HK cents)	10.3	7.9	↑ 30.3
Fully-diluted EPS^ (HK cents)	10.2	7.7	↑ 32.5

* Based on weighted average issued share capital of 342,360,620 (1Q 06: 342,360,620) shares.

^ Based on weighted average number of issued shares and dilutive potential shares of 345,400,991 (1Q 06: 352,760,620) shares.

SINGAPORE – 15 May 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, reported today a 30.3% rise in first quarter net profit ended 31 March 2007 to HK\$35.4 million (S\$6.8 million¹).

This was achieved on the back of a 31.6% growth in revenue to HK\$114.7 million (S\$22.2 million), boosted by a continually expanding retail network in Mainland China for its two brands of colour cosmetics and skincare products – Colour Zone and CharmingLady. In the first quarter under review, Colour Zone sales accounted for

¹ Based on exchange rate of HK\$5.1680 = S\$1

approximately 91.5% of the Group's total revenue whilst CharmingLady contributed approximately 8.5%.

As at 31 March 2007, there were a total of 1,275 Colour Zone dedicated counters and standalone stores (which is an increase of 65 from 31 December 2006). The Group added 35 CharmingLady counters in 1Q07, bringing it to a total of 180. In addition, Colour Zone products are available in about 34 Sa Sa cosmetics stores in Hong Kong and Macau. The Group is on track to meet its target of 1,500 retail points for Colour Zone and 300 for CharmingLady by the end of FY2007.

In January 2007, Beauty China opened its first own-operated image store in Shanghai for the purpose of elevating awareness of its two brands.

In its latest first quarter results, the Group's fully-diluted earnings per ordinary share increased from 7.7 HK cents to 10.2 HK cents (2.0 Singapore cents), whilst its net asset value per ordinary share rose from 125.9 HK cents to 136.2 HK cents (26.4 Singapore cents) as at 31 March 2007.

Comparing 4Q06 with the latest 1Q07, the Group's overall gross profit margin improved from 62.4% to 62.7%. However, on a year-on-year comparison, its gross profit margin declined marginally from 63.7% in 1Q2006 to 62.7% in 1Q2007. Net profit margin for the first quarter of FY2007 similarly declined by 0.3 percentage points due to an increase in advertising and promotional expenses, particularly for the CharmingLady brand which is a relatively newer brand compared to the Group's Colour Zone brand, which has gained popularity amongst its younger target consumers over the last few years.

“Overall, we are pleased that we have managed our margins well despite increases in material costs and A&P expenditure, thanks to our continual efforts to roll-out higher-margin new products, and control over our operating expenses,” said Mr Wong Hon Wai, Beauty China's Chairman and Managing Director.

Moving ahead, the Group expects that the Chinese government would further tighten regulations on cosmetics products in line with international standards. This was one of the reasons that Beauty China announced on 26 February 2007, that it had entered into a share purchase agreement to acquire the entire shareholding in Samoa-incorporated Fu

Teng International Limited, which indirectly owns 100% of a cosmetics manufacturing facility in Zhuhai, China.

The acquisition of a cosmetics production plant is a strategic initiative by the Group to become an integrated cosmetics company with manufacturing and R&D capabilities. The total consideration of the acquisition, which is expected to be completed by end of July 2007, amounts to HK\$293 million (S\$57.2 million) payable in three tranches, comprising 75% in cash and 25% in new shares in Beauty China.

“This new facility, located in Zhuhai’s Jin Wan Industrial Zone, is purpose-built to the internationally-recognised Good Manufacturing Practice (“GMP”) standard, thus allowing the Group to assert better quality control on our products and secure a reliable supply. In addition, we anticipate that the Chinese government will continue to increase its stringent control on cosmetics manufacturing standards. Whilst there will be short-term cost pressures from higher operating expenses initially, we do expect to yield accretive earnings in the longer term, especially when we ramp up production by end of FY2008,” Mr Wong said.

This new facility has a designed maximum annual capacity of 132 million units of colour cosmetics, skincare, body-care and hair-care products with two shifts of labour, and is probably the first GMP-compliant cosmetics plant capable of producing a full range of cosmetics products in Mainland China.

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

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 over 1,270 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 180 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.