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Beauty China adds 104 outlets in 2Q08; rakes in HK\$10 million in OEM production orders

- *Appoints Taiwanese artiste Angela Chang as new brand ambassador for its flagship Colour Zone brand*
- *Expands product range and increases product pricing*

SINGAPORE – 22 July 2008 – Prospects are looking good for mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or the “Group”), an integrated cosmetics company which owns and manages two brands (Colour Zone and CharmingLady) as well as a brand-new cosmetics manufacturing facility in China.

Boosted by the robust demand for colour cosmetics and skin-care products, particularly amongst the mass market in the second and third-tier cities in China, the Group continued to execute its growth strategies in the second quarter of 2008, by adding new cosmetics outlets and expanding its product range.

“China’s booming economy continues to fuel consumer spending. According to Research and Markets, the total cosmetics and toiletries market in China reached a total value of RMB116.24 billion in 2007, up 18% from the previous year. Beauty China, which Euromonitor ranked fourth in the colour cosmetics industry along the likes of L’Oreal and Avon in the Mainland, is well-poised to gain from these positive industry trends given our established brand name and integrated, efficient business model,” said the Group’s Chairman and Managing Director, Mr Wong Hon Wai.

Enhancing its Brand Business

In the second quarter of FY2008, Beauty China added 67 Colour Zone and 37 CharmingLady outlets, bringing its retail network in Mainland China to about 1,651 Colour Zone outlets and 350 CharmingLady points-of-sale as at 30 June 2008.

The Group continued to strengthen its Colour Zone brand with the appointment of well-known artiste, Angela Chang (张韶涵) as its brand ambassador. A singing diva in the Mandarin pop scene, Angela also played leading lady roles in popular Taiwanese drama series such as “My MVP Valentine” (我的MVP情人), “Love at Dolphin Bay” (海豚灣戀人) and “Romantic Princess” (公主小妹). To promote its new ambassador, the Group plans to launch a new advertising campaign in 3Q 2008.

To meet consumers’ ever-changing tastes, Beauty China also rolled out more than 80 new SKUs (“Stock Keeping Units”) of Colour Zone colour cosmetics and skin-care products in 2Q 2008. At the same time, the Group launched a new product image for CharmingLady, as well as 3 new series of skin-care products comprising 26 SKUs. Together with the product launches, the Group also increased the prices of some of its products by 5%-10% since June 2008.

“Advertising and promotion, together with product development, are critical to our brands’ success. Colour Zone’s success indicates we are on the right track. CharmingLady is also gaining recognition amongst our target audience, as evidenced by the steady increase in sales,” added Mr Wong.

Manufacturing Business Gains Traction

Complementing its brand business is Beauty China’s new cosmetics manufacturing business which started in November 2007. Besides meeting part of its in-house needs, Beauty China’s GMP-compliant cosmetics factory also manufactures for OEM/ODM customers – providing a new and growing revenue stream.

Giving an update on this new business segment, Mr Wong said, “Our manufacturing business is gaining traction. Average utilization has improved from 27% in 1Q 2008 to

approximately 40% in 2Q 2008. OEM/ODM customers are beginning to recognise the value we bring with our GMP-compliant facilities. As of 30 June 2008, we have confirmed OEM orders worth approximately HK\$10 million to be delivered in the second half of this year. We are also in talks with a number of potential OEM/ODM customers from various countries.”

“Looking ahead, we are confident of delivering on our strategies to sustain our growth. Whilst we foresee challenges with the persistent rise in crude oil and raw material prices, we believe we are able to alleviate some of these pressures through tactical product development, operational efficiency improvement, cost control as well as price adjustment,” concluded Mr Wong.

The Group expects to announce its financial results for the second quarter ended 30 June 2008 on 13 August 2008.

About Beauty China

An integrated cosmetics company in Mainland China, Beauty China owns and manages two colour cosmetics and skincare brands - “Colour Zone” and “CharmingLady” - as well as a cosmetics production facility in Zhuhai to manufacture products under its own brands and third-party products .

A mass-market brand, Colour Zone targets at young and trendy women between the ages of 18 and 28 years. Developed in 1996, Colour Zone was voted one of “The Ten Best (Local) Brands” in the Chinese cosmetics industry¹ 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 1,651 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. According to Euromonitor², the market share of Colour Zone brand reached 3.8% and was ranked No.4 in the colour cosmetics segment of Mainland China in 2006.

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 350 points of sales.

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

¹ 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.

² Taken from the report “Cosmetics and Toiletries in China” issued by Euromonitor in June 2007.

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 started the commercial operation of its own research and development centre as well as expanded into the production of cosmetics products in Mainland China by acquiring a GMP-certified production facility.

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