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## **Beauty China to collaborate with major Japanese cosmetics producer**

- *Signs letter of intent to exclusively produce, use and sell cosmetics products, under the Japanese firm's know-how and patents, in the PRC*

**SINGAPORE – 19 December 2008** – In a bid to boost its manufacturing business and research and development (“R&D”) expertise, **Beauty China Holdings Limited** (“Beauty China” or the “Group”), an integrated cosmetics company in the PRC, today announced that the Group has signed a letter of intent (“LOI”) with a major cosmetics producer in Japan – **JO Cosmetics Co. Ltd.** (“JO Cosmetics”).

With a track record of more than 20 years, JO Cosmetics is a leading Japanese R&D specialist in the full range of colour cosmetics, skin-care, hair-care, body-care and toiletry products. Using its proprietary formulae and patented composites, JO Cosmetics currently produces finished cosmetics products in Tokyo and Saitama on an OEM basis for more than 100 customers, including major cosmetics companies and well-known international brands.

Under the LOI, Beauty China will have the exclusive licence in the PRC to manufacture, use and sell certain finished and semi-finished cosmetics products, under the technical know-how and patents owned by JO Cosmetics.

As the first and only manufacturing and distribution partner of JO Cosmetics in the PRC, Beauty China will manufacture cosmetics products for some of the customers of JO Cosmetics, using the raw materials and semi-finished products as well as the formulae supplied by JO Cosmetics.

As part of the collaboration, JO Cosmetics will also provide Beauty China technical and R&D assistance to develop new products for the Group's Colour Zone and CharmingLady brands.

In the longer run, Beauty China plans to expand its manufacturing services to include the supply of selected raw materials and semi-finished products such as lip gloss and eye mascara materials as well as cosmetics powder for its own brands and OEM customers, using JO Cosmetics' proprietary know-how. This integration will strengthen the Group's supply chain, secure customers' relationship and improve margins.

"Our appointment as JO Cosmetics' exclusive manufacturing and distribution partner in the PRC is evidence of Beauty China's high-quality manufacturing capabilities. Our partnership with JO Cosmetics will benefit Beauty China on several fronts – we can not only leverage JO Cosmetics' network to expand our OEM business to major cosmetics companies and well-known international brands, but also tap on its R&D expertise to improve the quality of our own Colour Zone and CharmingLady brands," said Beauty China's Chairman and Managing Director, Mr Wong Hon Wai.

Beauty China's Manufacturing Business has been providing a new and growing revenue stream for the Group since the first quarter of this fiscal year. In 3Q 2008, the Manufacturing Business accounted for 3.5% of the Group's revenue and enjoyed a gross profit margin of 51.0%.

As at 13 November 2008, the Group had on hand more than HK\$50 million worth of new OEM contracts, mostly to be delivered in FY2009, of which HK\$47 million are from two customers in Russia and France to manufacture approximately 21 million skin-care, colour cosmetics and fragrance products for five popular mid-range cosmetics brands in these two countries.

“With the recent economic downturn, we hope that international cosmetics brands will outsource more of their production to lower-cost contract manufacturers; a positive trend which will benefit Beauty China which owns a GMP-certified cosmetics factory in the PRC,” added Mr Wong.

Following the signing of the LOI, Beauty China and JO Cosmetics will proceed to finalise the terms and conditions of the working arrangement between the two companies. While the signing of the LOI is a positive development for Beauty China, it is not expected to have a material financial impact on the Group’s financial results for the full year ending 31 December 2008.

#### ***About Beauty China***

*An integrated cosmetics company in Mainland China, Beauty China owns and manages two cosmetics 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 industry<sup>1</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.*

*With approximately 500 SKUs of colour cosmetics and skincare products, Colour Zone products are retailed in 1,729 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 Euromonitor<sup>2</sup>, the market share of Colour Zone brand reached 3.9% and was ranked No.4 in the colour cosmetics segment of Mainland China in 2007.*

*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 392 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 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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<sup>1</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.

<sup>2</sup> Taken from the report “Cosmetics and Toiletries in China” issued by Euromonitor in June 2008.

*In October 2008, Beauty China was one of the recipients of the SIAS Investors' Choice Award 2008 for "Most Transparent Company Award (Foreign Listings Category)", a prestigious award endorsed and supported by the Singapore Exchange, Standard & Poors, PricewaterhouseCoopers, SID, ICPAS, CFA, Business Times & Asian Corporate Governance Association. Beauty China was selected from nominations received from analysts, fund managers, financial journalists and retail investors represented by SIAS.*

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