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Beauty China clinches HK\$47 million new OEM contracts from Russia and France

- *Retail network for Colour Zone and CharmingLady grew to 1,729 and 392 points-of-sale respectively, as at end of September 2008*
 - *Balance sheet remains healthy with strong cash balances*

SINGAPORE – 24 October 2008 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or the “Group”), an integrated cosmetics company in the PRC, today announced that it has recently received approximately HK\$47 million worth of new OEM contracts from two customers in Russia and France¹ to manufacture approximately 21 million skin-care, colour cosmetics and fragrance products.

These latest orders are for five popular mid-range cosmetics brands in Russia and France, with most of the products expected to be delivered in 2009. The first batch of production is scheduled to run in the first quarter of 2009.

“Our growing OEM business proves we made the right decision last year to acquire a GMP-compliant cosmetics factory to tap the OEM/ODM market. Our new third-party Manufacturing Business is enhancing our revenue stream, and is on track to break even by the end of this year,” said the Group’s Chairman and Managing Director, Mr Wong Hon Wai.

¹ The names of customers and brands cannot be disclosed due to confidentiality agreements signed with the customers.

Commenting on the impact of the current global financial crisis on the Group's business, Mr Wong said, "Because our products are affordable and targeted at the mass market, our business is fairly resilient even in economic downturns. China's cosmetics industry is still growing and we have not observed any sales decline in our Colour Zone and CharmingLady brands. On the contrary, we foresee the possibility of belt-tightening consumers shifting from high-end international cosmetics brands to mid-priced local brands. This could augur well for us as our brands are well-known for their high quality products at reasonable prices."

"The global credit crunch can also be an impetus for international cosmetics brands to search for cheaper production – and Beauty China is a contract manufacturer of choice given our EU and US GMP-certified facilities and cost advantages. Even after we factor in rising overhead and labour costs in China, our cost of producing cosmetics can, on average, be more than 70% cheaper than in Japan, for example," noted Mr Wong.

Amidst the recent global concerns on the safety of China-made products, Beauty China's GMP qualification also provides an added assurance to its present and potential OEM/ODM customers. The Group is committed not to use any harmful substance for making its own and third-party products, and carries out laboratory testings on incoming materials, semi-finished products and finished products during different stages of production.

Mr Wong explained, "The Group is acutely aware of the importance of safety and quality in cosmetics products. This is one of the reasons why we decided to acquire a GMP-compliant factory – to meet international manufacturing standards as well as to control the quality of our products. By the end of next year, we plan to shift all the production of our two brands in-house."

Business Targets on Track

As at end of September 2008, the retail network for the Group's Colour Zone and CharmingLady brands reached 1,729 and 392 points-of-sale ("POS") respectively – a net increase of 120 POS in a span of three months from 30 June 2008.

The Group is confident of reaching its year-end target of 1,800 Colour Zone and 450 CharmingLady POS.

Recently, the Group also launched a new advertising campaign for Colour Zone, fronted by its newly appointed brand ambassador, Angela Chang (张韶涵). Given the huge popularity of Angela Chang amongst Colour Zone's target consumers, the new ambassador is expected to raise the brand's profile and image moving forward.

“While some companies are down-sizing in light of the current economic situation, the Group is forging ahead with our expansion plans this year. We believe our growth plans are relatively prudent and conservative, considering our strong financial position and solid demand for cosmetics in China,” clarified Mr Wong.

As of today, Beauty China has net cash balances of more than HK\$140 million, with a healthy operating cash flow. The Group has more than sufficient working capital for its current operations and expansion plans. Notably, the Group does not have any bank borrowings that are due within this financial year. It also has not experienced any significant problem in debt collection, in spite of the credit crunch.

Against a challenging backdrop of deteriorating financial markets, volatile crude oil prices, inflation and stiffer competition, the Group is continuously refining its strategies to meet these challenges and stay ahead in the marketplace.

“Beauty China's robust fundamentals stand us in good stead to weather challenges in this ever-changing business landscape. Nonetheless, we will not be complacent and will actively ensure we continue to deliver value to our stakeholders on all fronts,” added Mr Wong.

Financial Industry Recognition

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.

“We are very honoured and grateful to receive this prestigious award. We would like to sincerely thank all who have voted for us, and look forward to your continued support as Beauty China strives to further improve our transparency as an integral part of good corporate governance,” concluded Mr Wong.

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 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 1,729 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 Euromonitor³, 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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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.

³ Taken from the report “Cosmetics and Toiletries in China” issued by Euromonitor in June 2008.