



Beauty China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Unit 1103, COL Tower, Wharf T&T Square
123 Hoi Bun Road, Kwun Tong, Hong Kong
Tel: (852) 2891 2227 Fax: (852) 2891 7710
www.beautychinaholdings.com
Company Registration Number: 118384

FOR IMMEDIATE RELEASE

Contact Information:

August Consulting

Tel: (65) 6733 8873 Fax: (65) 6733 9913

HO See Kim – seekim@august.com.sg

LI Lynn – lynn@august.com.sg

Another colourful year for Beauty China: FY2007 net profit up 20.1% to HK\$161.9 million on record-high sales

- Exceeded full-year target of 1,500 Colour Zone and 280 CharmingLady outlets in Mainland China:

As at 31 December 2007:

Colour Zone outlets = 1,513 (added 95 in 4Q FY07)

CharmingLady outlets = 281 (added 36 in 4Q FY07)

- Final cash dividend of HK\$0.03 per share recommended

Financial Highlights (HK\$'000)	3 months ended 31 Dec 07			12 months ended 31 Dec 07		
	4Q FY07	4Q FY06	Growth (%)	FY2007	FY2006	Growth (%)
Revenue	211,275	150,759	+ 40.1	632,576	466,601	+35.6
Gross Profit	131,678	94,137	+39.9	395,198	292,556	+35.1
Net Profit	39,606	39,265	+0.9	161,863	134,740	+20.1
Basic EPS (HK cents)	11.5	11.5	0.0	47.2	39.4	+19.8
Fully-diluted EPS (HK cents)	11.3	11.4	-0.9	46.7	39.2	+19.1

SINGAPORE – 27 February 2008 – Mainboard-listed **Beauty China Holdings Limited** 妍华控股 (“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 20.1% jump in full-year net profit ended 31 December 2007 to HK\$161.9 million (S\$29.9 million¹).

¹ Based on exchange rate of HK\$5.41925 = S\$1

This was achieved on the back of record high revenue which surged 35.6% to HK\$632.6 million (S\$116.7 million), due to the Group's continuous expansion of its Colour Zone and CharmingLady retail distribution network. In the latest fourth quarter, revenue from these two brands grew by 40.1% year-on-year. The Group's new cosmetics factory, which was acquired in October 2007, had not generated any income.

During the year, some 303 Colour Zone outlets were added, making it a total of 1,513 as at 31 December 2007. The number of CharmingLady outlets grew to 281, an increase of 136 outlets. In addition, Colour Zone products are also available in more than 30 Sa Sa stores in Hong Kong and Macau.

Colour Zone, the Group's flagship brand and key revenue generator, accounted for about 89.8% of the total revenue, while CharmingLady made up the remaining 10.2%.

EPS/NAV Per Share

In its latest full-year results, the Group's fully-diluted earnings per ordinary share increased from 39.2 HK cents to 46.7 HK cents (8.6 Singapore cents), whilst its net asset value per ordinary share rose from 125.9 HK cents to 193.9 HK cents (35.8 Singapore cents) as at 31 December 2007.

Dividend

The Board of Directors has recommended a final cash dividend of HK\$0.03 per ordinary share of HK\$0.1 par value each.

Quote from the Group's Chairman and Managing Director, Mr Wong Hon Wai

"We are pleased that we have managed to exceed our full-year target of 1,500 Colour Zone and 280 CharmingLady outlets for FY2007. By adding 439 outlets to our existing distribution network, we achieved record-high sales of HK\$632.6 million. In addition to the steady revenue growth from our Colour Zone products, the performance of our relatively newer CharmingLady brand has been very encouraging – in FY2007, sales from CharmingLady increased significantly by 67.8%!"

At the operating level, distribution costs rose 47.8% year-on-year to HK\$205.4 million, of which advertising and promotion (“A&P”) expenses comprised a major component. With the enhanced media exposure in various channels throughout China, including television commercials, internet and print advertisements, media sponsorships and promotional events, A&P expenses rose to HK\$128.1 million, or 20.3% of total sales for FY2007 which is in line with the management’s target of around 20%.

In FY2007, the Group managed to maintain a gross profit margin of 62.5%, which is comparable to 62.7% achieved in the preceding year. Net profit margin declined from 28.9% in FY2006 to 25.6% in FY2007, largely due to higher costs in distribution, administration, and finance, as well as depreciation of buildings and machineries and amortization of land use rights of the newly-acquired factory.

Prospects

The acquisition of its first cosmetics factory in October 2007 is a significant milestone for Beauty China as it marks the transformation of a brand-management company into a more integrated player in the cosmetics industry. Having its own GMP-certified production facility reinforces the Group’s capability to produce products of international standard and strengthens consumer confidence in the Group’s brands. It is also a strategic move to diversify the business risk of the Group’s reliance on a single source of income, and to create a new revenue stream when ample production capacity can be utilised for manufacturing third-party products on OEM/ODM basis.

With the EU and US GMP certifications, the Group’s factory is considered one of the very few cosmetics manufacturers in China who is able to satisfy the quality-conscious OEM/ODM customers. Therefore, the Group believes that the prospect of its new operation is promising in the long run despite the expected pressure on margin and potential operating loss of this manufacturing business in the short term before the benefits of economies of scale can be gained.

In the meantime, the Group is confident of further expanding its Colour Zone and CharmingLady retail network, given the strong demand for colour cosmetics and skincare products in Mainland China. Beauty China will continue to improve its marketing and promotion strategy, particularly for its CharmingLady brand with a view

to gaining more market share, as well as in product development with more trendy products and new items anticipated to be developed hence boosting sales. With the successful launch of its self-operated CharmingLady image store in Shanghai in FY2007, and the retail right made available by the acquisition of the factory, the Group will open more image stores in selected major cities to further raise its brand profile.

Barring any unforeseen circumstances, the Directors are 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 1,513 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. Colour Zone products are also distributed in Hong Kong and Macau through more than 30 Sa Sa stores.

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 281 points of sales 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 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. These moves will strengthen the Group's market and brand position, and bring it closer to its aim of becoming an integrated cosmetics player.

###

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.