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## **Beauty China signs three-year deal with JO Cosmetics**

- *Agreement is renewable annually, after the first three years*
- *Beauty China will exclusively produce, use and sell cosmetics products, under the Japanese firm's expertise and patents, in the PRC*

**SINGAPORE – 21 January 2009** – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or the “Group”), an integrated cosmetics company in the PRC, has inked a three-year agreement with major Japanese cosmetics producer **JO Cosmetics Co. Ltd.** (“JO Cosmetics”) to manufacture, use and sell certain finished and semi-finished cosmetics products, under the technical expertise and patents owned by JO Cosmetics.

The agreement takes effect immediately for three years, after which it is renewable annually, until advanced notice given by either party.

With the signing of the deal, Beauty China is now JO Cosmetics’ first and exclusive manufacturing and distribution partner in the PRC. Beauty China will manufacture cosmetics products for some of JO Cosmetics’ customers, using the raw materials, semi-finished products and proprietary formulae supplied by JO Cosmetics.

“We are glad to have finalised the terms and conditions of the working arrangement between Beauty China and JO Cosmetics, following the letter of intent signed last December. JO Cosmetics is a leading R&D specialist in the Japanese cosmetics industry and currently manufactures finished cosmetics products in Tokyo and Saitama

on an OEM basis for more than 100 major cosmetics companies and well-known global brands. In the immediate term, we expect the partnership to generate more opportunities for Beauty China's manufacturing business. From a longer term perspective, we plan to draw on JO Cosmetics' know-how for our own product development," said Beauty China's Chairman and Managing Director, Mr Wong Hon Wai.

"A positive outcome arising from the global economic downturn is that international cosmetics brands may consider outsourcing more of their production to lower-cost contract manufacturers like Beauty China who offer cost advantages without compromising on quality. With our EU and US GMP certifications, Beauty China is one of the very few cosmetics manufacturers in China who is able to satisfy the quality-conscious OEM/ODM customers," added Mr Wong.

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

Since 1Q 2008, Beauty China's Manufacturing Business has been providing a new revenue stream, in addition to its Brand Business. In 3Q 2008, the Manufacturing Business accounted for 3.5% of the Group's revenue and enjoyed a gross profit margin of 51.0%.

***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*

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*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.*

*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.*

*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.*

#### ***About 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.*

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