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**NON-BINDING CONDITIONAL OFFER TO THE COMPANY**

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The Board of Directors (the "Board") of Beauty China Holdings Limited (the "Company") refers to a non-binding conditional offer (the "Conditional Offer") received on 20 April 2009 from Dunross Asia Pte Ltd, on behalf of Dunross Group, Zesiger Capital Group LLC, Blue Pool Capital, Krohne Capital, Sean Wright and certain other investors (collectively, the "Investors"). The Investors represented that each of which are shareholders of the Company holding in aggregate 27.45% of the issued share capital of the Company. A summary of the essential terms of the Conditional Offer is set out as follows:

**1. Terms of the Conditional Offer**

Subject to the negotiations between the Investors and the Company and the conditions precedent in paragraph 2 below, the Investors propose that:

- (a) the Company undertakes a rights issue of ordinary shares in the capital of the Company (the "Rights Shares") to the existing shareholders to raise gross proceeds of S\$32.07 million (the "Rights Issue"); and
- (b) the ratio for the Rights Issue (the "Rights Ratio") be 2 Rights Shares for every 1 existing share in the capital of the Company, and the issue price (the "Rights Issue Price") be S\$0.045 per Right Share.

The Investors confirmed that they are willing and able to sub-underwrite the Rights Issue in full, in accordance with all applicable laws and regulations (the "Proposed Investment").

The final terms of the Rights Issue and the Proposed Investment, including the Rights Ratio and the Rights Issue Price, shall be agreed upon by the Company and the Investors.

**2. Conditions Precedent**

The Proposed Investment is subject to the following conditions:

- (a) shareholders' approval not being obtained for the proposed investment in the Company as disclosed in the Company's announcement dated 12 March 2009 and 9 April 2009;
- (b) approval being obtained at a shareholders' general meeting, approval in-principle being granted by the Singapore Exchange Securities Trading Limited ("SGX-ST"), an Offer Information Statement and relevant documents in respect of the Rights Issue being lodged with the Monetary Authority of Singapore;
- (c) in the event that the Proposed Investment results in the requirement of making a mandatory general offer ("General Offer") under Rule 14.1 of The Singapore Code on Take-overs and Merger, waiver being obtained from the Securities Industry Council and approval by independent shareholders of a Whitewash Resolution to waive the requirement of making a General Offer;
- (d) satisfactory results of due diligence on the Company and its subsidiaries (the "Group") undertaken by the Investors (the "Due Diligence"), including but not limited to presentation of a viable business plan by the management of the Company (the "Management"); legal, financial, business, accounting and tax due diligence performed by professional advisors; and arrangements for discussions and meetings with the Management and the major distributors, suppliers, customers and lenders (the "Lenders") in respect of all loans and financial indebtedness (the "Loans") of the Group;
- (e) the Lenders agreeing in writing to waive all prior defaults of the Group in relation to overdue amounts under the Loans (the "Overdue Amounts") and to modify covenants in any agreement relating to the Loans to the satisfaction of the Investors, subject to the condition that the proceeds from the Rights Issue will be used to repay the Overdue Amounts, provided that the amount to be used for such repayment shall not exceed an amount to be agreed by the Investors;
- (f) no material adverse change in the financial condition, results of operations and prospects of

- the Group;
- (g) the Company maintaining a 10% free float at all times in accordance with Rule 723 of the Listing Manual of SGX-ST; and
- (h) the Company bearing all fees, costs and expenses in connection with the Rights Issue, the Proposed Investment and the Due Diligence.

### 3. Continuance of the Management

The Investors would like the existing Management to continue working for the Company and has also indicated that “the Investors want to structure an incentive program for the management to align the management with Shareholders for the future development of the Company”. Such indication as contained in the Conditional Offer was initiated by the Investors, the Management has not entered into any discussion or reach any understanding with the Investors for the creation of any incentive program.

### 4. Non-Binding Nature

The Proposed Investment is subject to the fulfillment of the conditions set out in the Conditional Offer, and the negotiation, execution and delivery of a definitive agreement in relation to the Proposed Investment between the Investors and the Company. The Conditional Offer does not constitute or create, and shall not be deemed to constitute or create, a legally binding or enforceable obligations on the part of the Investors. Such obligations shall only be created by the negotiation, execution and delivery of a definitive agreement in relation to the Proposed Investment between the Investors and the Company.

The Board would like to thank the Investors and shareholders for showing their support to the Company. The Board will consider this proposal and revert to the Investors after expiry of the exclusivity with the Potential Investors on 22 April 2009 as disclosed in the Company’s announcement dated 12 March 2009.

**The Board would like to caution, however, that there is no assurance that any transaction will materialise arising from the above. Shareholders and investors are therefore advised to exercise caution in their dealings in the Company’s shares. Further announcements will be made as and when appropriate on a timely manner.**

### **ON BEHALF OF THE DIRECTORS**

Wong Hon Wai  
Chairman  
21 April 2009