

FOR IMMEDIATE RELEASE

Contact Information:

August Consulting

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

HO See Kim – seekim@august.com.sg

CHIN May Nah – maynah@august.com.sg

Beauty China’s FY06 net profit up 22.9% to reach record high of HK\$134.7M

- *Revenue surged 34.6% y-o-y to HK\$466.6M, boosted by strong expansion of retail outlets in Mainland China to more than 1,355*
- *Targets to have 1,500 retail points for Colour Zone and 300 for CharmingLady by end 2007*
- *Signed Share Purchase Agreement to acquire a new GMP-compliant manufacturing facility in Zhuhai for HK\$293M from an independent third party*

Financial Highlights (HK\$ million)	3 months ended 31 December			Year ended 31 December		
	2006	2005	Growth (%)	2006	2005	Growth (%)
Revenue	150.8	111.6	+ 35.1	466.6	346.6	+ 34.6
Gross Profit	94.1	71.5	+ 31.7	292.6	219.7	+ 33.2
Net Profit	39.3	32.4	+ 21.1	134.7	109.6	+ 22.9
Basic EPS (HK cents)	11.5	9.5	+ 21.1	39.4	32.0	+ 22.9
Fully-diluted EPS (HK cents)	11.4	9.4	+ 21.3	39.2	31.9	+ 22.9

SINGAPORE – 27 February 2007 – Mainboard-listed **Beauty China Holdings Limited** (“Beauty China” or the “Group”), which owns and manages the *Colour Zone* and *CharmingLady* brands of colour cosmetics and skincare products in China, today announced that its full-year net profit grew 22.9% to a record high of HK\$134.7 million (S\$26.3 million¹), even as its revenue reached HK\$466.6 million (S\$91.1 million) for the year ended 31 December 2006.

The 34.6% jump in FY2006 revenue was largely driven by Beauty China’s continued success in expanding its retail network for its two brands throughout Mainland China. During the year under review, the number of Colour Zone dedicated counters and standalone stores operated by the Group’s distributor in Mainland China increased by

¹ Based on exchange rate of HK\$5.1195 = S\$1

310 to around 1,210. Colour Zone was also present in 55 Watson's stores in Mainland, and 35 Sa Sa stores in Hong Kong and Macau. Sales made to distributors in Mainland China accounted for approximately 99% of total revenue.

The Group also added some 85 retail counters selling *CharmingLady* products from approximately 60 sales points a year ago, bringing the total to almost 150 as of 31 December 2006.

"We are very pleased with the performance of the Group in the preceding financial year, during which the Group's distribution network witnessed significant expansion, and record revenue and profit were achieved. Our brand building effort has also proved to be effective. In October 2006, *Colour Zone* was awarded jointly by ICN China, China National Commercial Information Center and Euromonitor as one of the five "2005-2006 Most Popular Make-up Brands" in China among strong foreign brands like Maybelline, L'Oreal, Yue-Sai and Aupres," said Mr Wong Hon Wai, Chairman and Managing Director of Beauty China.

"As economic growth in Mainland China is expected to continue unabated in the year ahead, there is still a lot of latitude that our brands can grow further in China's huge cosmetics market. Our target of network expansion for FY2007 is to have 1,500 retail points for *Colour Zone* and 300 for *CharmingLady*," added Mr Wong.

The Group's overall gross profit margin declined marginally from 63.4% in FY2005 to 62.7% in FY2006, mainly due to the general increase in the average cost of ingredients and packaging materials.

Distribution costs, including advertising and promotion ("A&P") expenses, depreciation of product display units, logistics charges, salaries and bonuses of marketing staff, increased by 49.5% to HK\$138.9 million. A&P expenses, a major component of the Group's distribution costs, increased in line with sales growth by 51.8% to HK\$88.9 million, due to higher print and television advertisement rates, as well as increased expenditure on promoting *CharmingLady* after appointing new brand ambassador, Hong Kong pop artiste Joey Yung in March 2006. Beauty China's A&P expenses accounted for 19.1% of total revenue, up from 16.9% a year ago, mainly due to the relatively higher proportion of sales spent on A&P of *CharmingLady* in FY2006.

In its latest full-year results, the Group's fully-diluted earnings per ordinary share increased from 31.9 HK cents to 39.2 HK cents (7.7 Singapore cents), whilst its net asset value per ordinary share rose from 93.8 HK cents to 125.9 HK cents (24.6 Singapore cents) as at 31 December 2006.

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

“We are highly confident that the demand for quality cosmetics products will remain strong in the near future, and it is imperative for the Group to secure and strengthen our source of product supply at the highest quality. The acquisition of manufacturing capability marks a significant milestone for Beauty China, opening a new dimension for growth and expansion to the Group,” said Mr Wong.

The Group today announced that it has signed a Share Purchase Agreement to acquire from an independent third party the entire shareholding in Samoa-incorporated Fu Teng International Limited, which, through its wholly owned subsidiary, Zhuhai City Mei Zhi Hui Ri Hua Co., (珠海市美之荟日化有限公司), owns a recently completed cosmetics manufacturing facility in Jin Wan Industrial Zone, Zhuhai. This brand new facility has a designed annual capacity of 132 million units of colour cosmetics, skincare, body-care and hair-care products, and is probably the first GMP-compliant cosmetics plant capable of producing a full range of cosmetics products in Mainland China.

The total consideration of the acquisition, which is expected to be completed by end of July 2007, amounts to HK\$293 million (S\$57.2 million) payable in three tranches, comprising 75% in cash and 25% in new shares in Beauty China.

“This strategic acquisition is a major step forward in achieving Beauty China's long term aspiration to become an integrated cosmetics company with its own manufacturing and R&D capabilities. The transaction will enable the Group not only to attain a stronger position in the industry, but also to yield accretive earnings in the longer run,” Mr Wong added.

Barring any unforeseen circumstances, the Directors remain cautiously optimistic of the Group's performance in the next 12 months.

Note to Editor: For more details regarding the acquisition of Mei Zhi Hui, please refer to our separate press release "Beauty China to acquire a new GMP-compliant cosmetics manufacturing facility in Zhuhai for HK\$293M" dated 27 February 2007

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 over 1,200 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.

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 almost 150 department store counters 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 plans to start the commercial operation of its own research and development centre, as well as to expand into the production of cosmetics products in Mainland China by acquiring a manufacturing 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.