



For Immediate Release

CHINA ESSENCE REPORTS STRONG GROWTH IN FY2006

Summary Results

RMB'000 (unaudited)	Year ended 31.03.2006 (Unaudited)	Year ended 31.03.2005 (Unaudited) (Restated)	↑ / (↓) %
Revenue	385,233	311,306	24
Gross Profit	184,375	147,594	25
Profit Before Tax	159,432	125,171	27
Net Profit	120,515	100,791	20

- Revenue and gross profit both up by 21%; net profit increases 20%
- Increases in sales volumes and average selling prices of both potato starch and potato starch-based products, as well as enhanced sales mix from higher-value modified starch products are key growth drivers
- EPS for full year at RMB0.352, from RMB0.300 in the previous year
- New modified starch products add 11.4% to Group revenue for FY ended 31 March 2006

Singapore, 22 May 2006 – China Essence Group Ltd. (“China Essence” or the “Company”), one of the largest, leading integrated potato-processing producers in the PRC, is pleased to announce a strong set of results for its financial year ended 31 March 2006, with revenue and gross profit both up by 21% and net profit increasing by 20%.

The Company saw healthy growth in the overall sales volumes and average selling prices of both potato starch and potato starch-based products propelling its growth in the last financial year, thanks to an expanded distribution network and increased demand from more aggressive marketing, advertising and promotional activities, as well as the rising levels of disposable income of the general populace of the PRC.

China Essence's new range of modified starch products launched in September 2005 is growing in popularity, and contributed a healthy RMB43.8 million or 11.4% to Group revenue in FY2006. The introduction of this higher-margin product has also contributed in part to improved overall gross profit margins. Gross profit grew by RMB36.8 million or 25% to RMB184.4 million in FY2006, as a result of higher average selling prices of the Company's products and greater economies of scale whilst gross profit margins also improved, rising from 47.4% in FY2005 to 47.9% in FY2006.

Mr Zhao Libin, Chairman and CEO of China Essence commented on the sterling performance of the past year, "We are pleased to turn in a strong set of numbers in our first full year as a listed company. Our strategy for enhancing our sales mix with higher-value modified starch products is already showing promising results. Moving forward, we expect to maintain order momentum in the coming year with new markets and new distributors. As additional capacity from our new production plants comes on-stream in 2Q FY2007, we will be in a strong position to leverage on the growing demand for modified starch products."

Selling and distribution expenses increased 19% in FY2006 over the same period last year, rising in tandem with increased business volumes and a more aggressive marketing programme. Similarly, administrative expenses rose 51% to RMB6.8 million in the same period, mainly attributable to higher costs resulting from business expansion and increased corporate and compliance overheads as a listed company.

Net profit grew to RMB120.5 million in FY2006, representing a 20% gain year-on-year, achieved despite increases in taxation and minority interests. Correspondingly, earnings per share rose from RMB0.3 to RMB0.352 in the past financial year, calculated based on Group profit and the weighted average of 342,049,315 ordinary shares. Net asset value per ordinary share also rose from RMB0.593 to RMB1.177 in the same period of time. Cash and bank balances increased dramatically, from RMB57.4 million as at 31 March 2005 to RMB347.6 million a year later, mainly attributable to the increase in deposits placed with financial institutions from proceeds of the issuance of redeemable convertible preference shares in August 2005 and from its IPO in February 2006.

The Group is in robust financial health and is aggressively expanding its marketing efforts, distribution network and product range to leverage on higher-margin modified starch products.

Local fund manager, Value Partners Limited also recently increased its stake in the Company earlier this month to become a substantial shareholder with a 5.17% stake.

Outlook

China Essence is optimistic of its performance in FY2007, and expects order momentum for core products, potato starch and potato starch-based products to remain strong due to new market penetration and new distributors. In anticipation of rising demand, the Company has announced plans to establish additional production plants and production lines in Heilongjiang for the manufacture of both potato starch and modified starch. These are expected to come on-stream by 2Q FY2007, adding 40,000 tonnes to existing 60,000 tonnes' annual capacity for potato starch production; and 18,000 tonnes in new facilities for modified starch production.

Mr Zhao remarked, "We continue to witness strong demand in the market for high quality potato starch and modified starch in support of fast growing industries in the PRC. Our new facilities will enable us to capitalise on this growing demand, and ensures that China Essence maintains its position as a leading integrated potato-processing producers in the PRC."

About China Essence (Bloomberg: CESS SP)

China Essence is a leading integrated producer of potato starch and potato starch-based products such as vermicelli, starch strips and five-grain noodles in the PRC. ISO-certified since 2004 and winner of numerous awards since its establishment in 2001, China Essence places strong emphasis on R&D and quality assurance to produce high quality products and increase its product range. These products can be used for various applications across numerous industries such as the textile, paper, adhesives, oil & mining, pharmaceutical and personal care and cosmetics industries.

As testament to its R&D capabilities, China Essence successfully developed its five-grain noodles in 2002. Its high elasticity, strength and smoothness make it a preferred substitute for traditional noodle. In addition, the R&D department has also successfully cultivated an imported species of potato in Daqing, which has a shorter maturity period and higher starch yield, enabling the Company to extend the potato starch production cycle. The Company plans to establish new production lines to manufacture 18,000 tonnes per annum of its new product, modified starch, by the third quarter of 2006.

Headquartered in Beijing, China Essence's manufacturing facilities are strategically located in Lindian, Daqing, Heilongjiang, where there is an abundant supply of high quality potatoes. The Company currently operates 2 production facilities with a total of 10 production lines, four of which are for the manufacture of potato starch and the remainder, potato starch-based products. The annual production capacity for potato starch is 60,000 tonnes and that of potato starch-based products is 22,000 tonnes. The Company

markets its products under its brand names “Bigang” (碧港) and “Dongbei” (东北) through its distributors’ extensive network spanning 43 cities in 21 provinces and municipalities within the PRC.



For further information, please contact:

Gavin Anderson & Company

Tel: +65 6339 9110 Fax: +65 6339 9578

Charis Lee clee@gavinanderson.com.sg

Evangelina Wee ewee@gavinanderson.com.sg

Jenny Yeo jyeo@gavinanderson.com.sg