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SKINCARE



Corporate Governance Report

The Board of Directors (the “Board”) of the Company is committed to establishing and maintaining high standards of corporate governance. Prior to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 February 2006, the Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (“the Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices on 20 January 2006.

This report sets out information in respect of the compliance by the Company with the Code since 9 February 2006.

Corporate Governance Practice

The Board is in the opinion that the Company has complied with the Code since 9 February 2006, except for the following deviations:

Code Provision A.2.1. stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Tsang Yue, Joyce is currently the Chairperson and Chief Executive Officer of the Company.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code.

Board of Directors

The Board currently consists of five executive Directors and three Independent non-executive Directors. Two of the Independent non-executive Directors have the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group’s businesses, strategic decisions and performance. Its principal functions are to consider and approve the strategies, financial objectives, annual budget and investment proposals of the Group.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors and the management team of each business division, is responsible for managing the business of the Group, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operations of the Group.

The Board shall meet at least four times a year after listing on 9 February 2006 at approximately quarterly intervals and also as and when required. The Company Secretary assists the Chairperson in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. The Company Secretary and the Qualified Accountant shall attend all Board meetings to provide information on corporate governance, compliance, accounting and financial matters when necessary.

During the period from 9 February 2006 to 31 March 2006 (the "Reporting Period"), save for executive Board meetings held between executive Directors during the normal course of business of the Company, the Board has not held any regular meeting. Since 9 February 2006, the Board held two regular meetings on 19 May 2006 and 6 July 2006 respectively.

The members of the Board as at 31 March 2006 and the attendance of each member for the aforesaid meetings are as follows:

Executive Directors	Number of attendance
Ms. Tsang Yue, Joyce	2/2
Mr. Lee Soo Ghee	2/2
Ms. Yuen Siu Ping	2/2
Mr. Hung Fan Kwan	2/2
Mr. Yip Kai Wing	2/2
 Independent Non-executive Directors	
Mr. Wong See Hong	1/2
Mr. Yu How Yuen	2/2
Mr. Cheng Kai Tai, Allen	2/2

The biographies of the Directors are set out on pages 36 to 38 of this annual report.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmations of independence from Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen and considers them to be independent of the Group with reference to the factors as set out in Rule 3.13 of the Listing Rules.

The members of the Board have no financial, business, family or other material/relevant relationship with each other except that Ms. Tsang Yue, Joyce, the Chairperson of the Company is the wife of Mr. Lee Soo Ghee, the Vice Chairperson of the Company.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

All Directors (including Independent non-executive Directors) are subject to retirement at annual general meeting of the Company by rotation at least once every three years in accordance with the Company's articles of association. All retiring Directors shall be eligible for retirement. All the Independent non-executive Directors have been appointed for a term of three years commencing from 9 February 2006.

Corporate Governance Report

Chairperson and Chief Executive Officer

Ms. Tsang Yue, Joyce is currently the Chairperson and Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

Remuneration Committee

The Company established the Remuneration Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration Committee comprises the Chairperson of the Group, Ms. Tsang Yue, Joyce and three Independent non-executive Directors, Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen. Ms. Tsang Yue, Joyce is the Chairperson of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year after listing on 9 February 2006. The Remuneration Committee has not held any meeting during the Reporting Period and held a meeting on 19 May 2006, which was attended by all members.

Nomination Committee

The Company established the Nomination Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duty of the Nomination Committee is to make written recommendations to the Board on appointment of Directors and management of Board succession. The Nomination Committee comprises the Chairperson of the Group, Ms. Tsang Yue, Joyce and three Independent non-executive Directors, Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen. Ms. Tsang Yue, Joyce is the Chairperson of the Nomination committee.

The Nomination Committee shall meet at least once a year after listing on 9 February 2006. The Nomination Committee has not held any meeting during the Reporting Period.

Auditors' Remuneration

During the year ended 31 March 2006, the remuneration paid to the Company's auditors, PricewaterhouseCoopers, is set out as follows:

	Fee paid/payable HK\$'000
Services rendered	
Audit services	
Annual audit of accounts for the year ended 31 March 2006	1,380
Reporting accountant	3,000
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	4,380
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Audit Committee

The Company has established the Audit Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit committee has three members comprising the Company's three Independent non-executive Directors, namely Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen. Mr. Yu How Yuen is the Chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year after listing on 9 February 2006. The Audit Committee has not held any meeting during the Reporting Period and held three meetings on 4 April 2006, 19 May 2006 and 5 July 2006 respectively.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairperson of the Audit Committee, Mr. Yu How Yuen and another member, Mr. Cheng Kai Tai, Allen, possesses appropriate professional and accounting qualifications which meets the requirements of Rule 3.10(2) of the Listing Rules.

Full minutes of Audit Committee are kept by the secretary of the Audit Committee. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comment and records respectively, in both cases, within a reasonable time after the meeting.

Since listing, the Audit Committee meets with the external auditors, PricewaterhouseCoopers, twice on 19 May 2006 and 5 July 2006 respectively to discuss any areas of concerns during the audit. The meeting between the external auditors and the Audit Committee on 5 July 2006 was held without the presence of the management of the Company.

The Audit Committee has reviewed the audit plan of the external auditors during the course of their audit at the meeting held on 19 May 2006.

At the meeting on 5 July 2006, the Audit Committee reviewed the annual report with the external auditors without the presence of the management before submission to the Board. The Committee focus not only on the impact of the adoption of new accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements by the Group in the review of the Company's annual report.

Corporate Governance Report

Accountability

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflows of the Group.

In preparing the accounts for the year ended 31 March 2006, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

PricewaterhouseCoopers, the auditors of the Company, acknowledges their reporting responsibilities in the auditors' report on the financial statements of the Group for the year ended 31 March 2006.

Internal Controls

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts review on the effectiveness of these systems covering the financial, operational, procedural compliance and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management. The purpose of the Group's internal control system is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Group's objectives can be achieved.

Corporate Communication

The Company is committed to a policy of open and regular communication and fair disclosure of information to the Shareholders. The Company acknowledges that accurate and fair disclosures are necessary for the Shareholders to form their own judgment on the operation and performance of the Group.

Right to Demand a Poll

The Company informs the Shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of Shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. Pursuant to Article 90 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (i) the Chairman of the meeting; or
- (ii) at least five Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (iii) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.