

# Report on Corporate Governance

## 企業管治報告

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board had adopted Corporate Governance (“CG”) Guideline (available on website: www.nblife.com) which gives guidance on how corporate governance principles are applied to the Company.

The Company applied the principles and complied with all the code provisions set out in Appendix 14 Code of Corporate Governance Practices (the “Code”) of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The following summarises the Company’s corporate governance practices and explains deviations, if any, from the Code.

In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in light of local and international best practices.

### STATEMENT OF COMPLIANCE

#### A. Directors

##### A1. The Board

There were five board meetings in 2006. Details of Directors’ attendance records in 2006:

	Remuneration Committee Meeting	Audit Committee Meeting	Board Meeting
<b>Executive Directors</b>			
Dr. TSAI Yen Yu	n/a	n/a	5/5
Mr. LEE Ming Ta	n/a	n/a	5/5
Mr. SU Chien Cheng	1/1	3/3	5/5
Dr. SU Sh Hsyu	n/a	n/a	5/5
<b>Independent Non-Executive Directors</b>			
Mr. YEH Liang Fei	1/1	3/3	5/5
Mrs. CHEN Shieh Shu Chen	1/1	3/3	5/5
Mr. CHEN Ching	1/1	3/3	5/5

Directors are consulted to include any matter in the agenda for regular Board meetings.

The Company generally gives notice and draft agenda of regular Board meetings at least 14 days in advance. The Company aims at giving reasonable notice generally for all other Board meetings.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Company Secretary is responsible for taking minutes of Board and Board Committee meetings, which would be sent to Directors within a reasonable time (generally within 14 days) after each meeting and would be made available for inspection by Directors/committee members.

## Report on Corporate Governance (Continued)

### 企業管治報告 (續)

Natural Beauty's corporate governance guidelines provide for Directors taking independent professional advice at the Company's expense.

Full Board meetings will be held instead of by way of circulation, for any material transactions with connected persons. Independent Non-Executive Directors who, and whose associates, have no material interest in the transaction should be present at such meeting.

The Company's articles provide for voting and quorum requirements conforming with Code requirements.

#### *A2. Chairman and Chief Executive Officer*

Dr. TSAI Yen Yu serves as the Chairman and Ms. Yeung Wong Sau Ping serves as COO China and Mr. Shiao Wen Chung serves as COO Taiwan and other markets. The Chairman focuses on Group strategic and Board issues. The COOs have overall chief executive responsibility for operations and development generally.

The Chairman has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities.

The Company aims to continually improve on the quality and timeliness of the dissemination of information to Directors. (See Section A6 - "Supply of and access to information" for further details)

#### *A3. Board composition*

Composition of the Board, by category of Directors, including names executive Directors and Independent Non-Executive Directors are disclosed in all corporate communications.

#### *A4. Appointments, re-election and removal*

All directors, including Executive and Non-Executive Directors serve three-year terms, and are subject to re-election.

According to the Articles of the Company, new directors appointed shall hold office only until the next following Annual General Meeting ("AGM"). Subject to shareholders' approval at the forthcoming AGM, new Directors are required to submit themselves to election at the first general meeting (either AGM or Extraordinary General Meeting) following their appointment.

At each annual general meeting, one-third of the Directors (including Executive and Non-Executive Directors), or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office.

## Report on Corporate Governance (Continued)

### 企業管治報告 (續)

#### A5. Responsibilities of directors

On appointment, new Directors will be given a comprehensive orientation training by the Company's legal counsel, to explain the responsibilities and duties, and other regulatory requirements.

The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.

All independent Non-Executive Directors are members of the two standing committees of the Board, namely the Audit Committee and Remuneration Committee.

There is satisfactory attendance for Board and Board Committee meetings in 2006.

Throughout the year, Directors complied with the required standards of the Model Code set out in Appendix 10 to the Listing Rules regarding Directors' securities.

#### A6. Supply of and access to information

Board papers are sent to all Directors at least three days before the date of board/committee meeting.

Senior management are from time to time brought into formal and informal contact with the Board at board meetings and other events.

Board papers and minutes are made available for inspection by Directors and Committee Members.

### **B. Remuneration of Directors and Senior Management**

#### B1. The level and make-up of remuneration and disclosure

Natural Beauty set up a Remuneration Committee in 2005. Full terms of reference are available on the Company's website: [www.nblife.com](http://www.nblife.com).

With reference to the remuneration committee charter, each committee member had carefully reviewed and considered the terms of the expired service contracts, contribution of each of the Directors to the Group, the Directors' experience in the beauty and spa business and the market rate paid by comparable companies.

The terms of the renewed service contracts of the Directors concerned were remain unchanged and renew for another three years.

Independent professional advice will be sought to supplement internal resources where appropriate.

**C. Accountability and Audit**

*C1. Financial reporting*

Directors are provided with reports on the management's strategic plans, updates on lines of business, financial objectives, plans and actions.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2006, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgements and estimates that are prudent and reasonable;
- prepared the accounts on the going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Report of the Auditors on page 97.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

*C2. Internal controls*

The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. Management regularly reviews the effectiveness of the risk management and system of internal controls and compliance with best practices. The Executive Directors and Financial Controller also report to the Audit Committee twice a year on key findings regarding internal controls. The Audit Committee, in turn, communicates any material issues to the full Board.

*C3. Audit Committee*

Draft minutes prepared by the Company Secretary are sent to members within 14 days of each meeting.

None of the three Audit Committee members are former partners of the external auditors.

Full terms of reference (Audit Committee Charter) are available on website: [www.nblife.com](http://www.nblife.com).

Audit Committee recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming AGM, Deloitte Touche Tohmatsu be reappointed as the external auditors for 2007.

There is an agreed procedure for Audit Committee members to take independent professional advice at Company's expense.

**D. Delegation by the Board**

*D1. Management functions*

There is a defined schedule of matters reserved for full Board decision, including:

- Long-term objectives and strategies;
- Extension of group activities into new business areas;
- Annual budgets;
- Preliminary announcements of interim and final results;
- Dividend;
- Material banking facilities;
- Material acquisitions and disposals;
- Material connected transactions;
- Annual internal controls assessment; and

*D2. Board Committees*

The Board has established two Board Committees (Audit Committee and Remuneration Committee) with specific terms of reference available at the Company's website [www.nblife.com](http://www.nblife.com).

Board Committees present their respective reports to the Board after each meeting, which reports address their work and findings.

**E. Communication with Shareholders**

*E1. Effective communication*

Separate resolutions are proposed at the meeting on each substantially separate issue, including the election of individual Directors.

All Executive Directors, Independent Non-Executive Directors, and Chairman of Audit and Remuneration Committees are requested to attend the forthcoming annual general meeting.

*E2. Voting by poll*

Procedures for demanding a poll were set out in the notice of AGM. These procedures were also explained during the AGM proceedings.

A representative of the Company's Share Registrar, Hong Kong Registrars Limited was appointed as scrutineer.

Poll results were published in major Hong Kong newspapers on the business day following the meeting and posted on the websites of the Stock Exchange and the Company.

**ADDITIONAL CORPORATE GOVERNANCE AREAS**

**Institutional shareholder communications**

We regard it important to enter into a dialogue with institutional shareholders based on mutual understanding of objectives. An Executive Director and Group Financial Controller participated in various road shows during the year covering Shanghai, Singapore and Hong Kong.

Additional shareholders' services can be found in the investor relations section of the Company's website: [www.nblife.com](http://www.nblife.com).

# Report on Corporate Governance

## 企業管治報告

本公司董事會及管理層致力維持高標準的企業管治水平。董事會已採納有關本公司如何應用企業管治原則的企業管治指引(於網站www.nblife.com可供參閱)。

本公司已應用香港聯合交易所有限公司證券上市規則(「上市規則」)附錄14之企業管治常規守則(「守則」)所載原則,並已遵守當中所載全部守則條文。下文概列本公司之企業管治常規並解釋偏離守則(如有)之原因。

除符合適用法規外,本公司致力參照本地及國際最佳常規,持續檢討及改進企業管治常規。

### 遵例聲明

#### A. 董事

##### A1. 董事會

二零零六年曾舉行五次董事會會議,二零零六年之董事出席記錄詳情如下:

	薪酬委員會 會議	審核委員會 會議	董事會 會議
<b>執行董事</b>			
蔡燕玉博士	不適用	不適用	5/5
李明達先生	不適用	不適用	5/5
蘇建誠先生	1/1	3/3	5/5
蘇詩琇博士	不適用	不適用	5/5
<b>獨立非執行董事</b>			
葉良輝先生	1/1	3/3	5/5
陳謝淑珍女士	1/1	3/3	5/5
譚清先生	1/1	3/3	5/5

各董事獲諮詢,以提出任何商討事項以列入董事會定期會議議程。

本公司一般就定期董事會會議發出至少十四天預先通知及會議議程初稿。本公司力求就所有其他董事會會議發出時間合理之通知。

全體董事均可與公司秘書聯絡。公司秘書之職責為確保董事會程序獲遵守及就企業管治及合規事宜向董事會提供建議。

公司秘書負責所有董事會及其轄下委員會會議之會議記錄,而會議記錄將於各會議後合理時間內(一般為十四日內)送交各董事,並可供各董事/委員會成員查閱。

## Report on Corporate Governance (Continued)

### 企業管治報告 (續)

自然美之企業管治指引規定董事可徵求獨立專業意見，費用由本公司支付。

就任何與關連人士進行之重大交易，將會舉行全體董事會會議，而不會以書面形式處理。於交易中並無重大權益之獨立非執行董事及其聯繫人士應出席該會議。

本公司之章程細則規定投票及法定人數須符合守則之規定。

#### A2. 主席及行政總裁

蔡燕玉博士為主席，楊王秀萍女士出任中國首席營運總裁，而蕭文聰先生則出任台灣及其他地區之首席營運總裁。主席專注本集團之策略及董事會事務。首席營運總裁則擔綱行政總裁職務，掌管本集團整體業務及發展。

主席有明確職責，須向全體董事會提供所有與履行董事會職責有關的資料。

本公司致力持續改善向董事發佈資料之質素及時間性（進一步詳情請參閱第A6節－「資料提供及使用」）

#### A3. 董事會組成

在所有公司通訊中已按董事類別（包括姓名、執行董事及獨立非執行董事）披露董事會的組成。

#### A4. 委任、重選及撤換

所有董事（包括執行董事及非執行董事）於出任三年後均須接受重選。

根據本公司章程細則，新委任董事之任期均直至下屆股東週年大會（「股東週年大會」）為止。董事須在接受委任後的首次股東大會（不論為股東週年大會或股東特別大會）膺選連任，惟須待股東於即將舉行之股東週年大會批准。

於每屆股東週年大會，三分之一董事（包括執行或非執行董事，或如董事人數並非三或三之倍數，則為最接近但不超過三分之一的人數）須輪值退任。每年退任之董事應為在任年期最長者。

## Report on Corporate Governance (Continued)

### 企業管治報告 (續)

#### A5. 董事責任

新董事於獲委時均會獲本公司法律顧問提供全面迎新培訓，向彼闡釋其職責及其他監管規定。

公司秘書負責通知全體董事最新的上市規則及其他法例規定。

全體獨立非執行董事均為董事會兩個常務委員會（審核委員會及薪酬委員會）之成員。

二零零六年度各董事會及董事會委員會會議之出席率令人滿意。

於整個年度內，各董事已遵守上市規則附錄10有關董事證券交易的標準守則所規定標準。

#### A6. 資料提供及使用

董事會文件至少於董事會／委員會會議舉行日期前三天送交各董事。

高級管理層不時於董事會會議及其他場合與董事會正式或非正式會面。

董事會文件及會議記錄均可供董事及委員會成員查閱。

### B. 董事及高級管理人員的薪酬

#### B1. 薪酬的水平及組成及披露

自然美已於二零零五年設立薪酬委員會，其詳盡職權範圍載於本公司網站[www.nblife.com](http://www.nblife.com)。

經參考薪酬委員會之規章後，各委員會成員已詳細檢討及考慮已屆滿服務合約之條款、各董事對本集團之貢獻、董事於美容及spa業務之經驗以及可資比較公司支付之市場薪酬。

有關各董事之重續服務合約條款維持不變，另行重續三年。

於適當時將會尋求獨立專業意見以補充內部資源。



## Report on Corporate Governance (Continued)

### 企業管治報告 (續)

#### C. 問責及核數

##### C1. 財務匯報

董事獲提供本集團之策略計劃、主要業務活動回顧及詳細財務目標、計劃及行動。

董事須負責置存適當會計記錄及就各財務期間編製賬目，有關賬目須真實和公平地反映本集團業務狀況及於該期間的業績及現金流量。於編製截至二零零六年十二月三十一日止年度之賬目時，董事已：

- 批准採納所有由香港會計師公會頒佈的適用香港財務報告準則；
- 挑選及貫徹應用適當會計政策；
- 作出審慎合理的判斷和預測；
- 按持續經營基準編製賬目。

核數師就其申報責任之聲明載於第97頁之核數師報告內。

董事會將會於年報及中期報告、其他股價敏感公佈、根據上市規定之其他財務披露、呈交監管機構之報告以及根據法規規定須予披露的資料中作出平衡、清晰及易於理解的評審。

##### C2. 內部監控

董事會對集團內部監控系統負有整體責任，並負責檢討其成效。管理層定期檢討風險管理及內部監控系統的成效，並遵守最佳常規。執行董事及財務總監亦會就內部監控的主要檢討結果每年向審核委員會匯報兩次，而審核委員會則會將任何重大事宜提交全體董事會。

##### C3. 審核委員會

公司秘書草擬之會議記錄於各會議十四日內寄交各成員。

三名審核委員會中並無外聘核數師前任合夥人。

完整職權範圍(審核委員會規章)刊載於網站[www.nblife.com](http://www.nblife.com)。

審核委員會推薦董事會(而董事會已認可其見解)，待於即將舉行之股東週年大會獲股東批准後，重新委任德勤•關黃陳方會計師行為二零零七年外聘核數師。

現時已設有協定程序，讓審核委員會成員尋求獨立專業意見，費用由本公司支付。

## D. 董事會權力的轉授

### D1. 管理職能

現時已設有明確事項列表，列明須由全體董事會決定的事項，包括：

- 長期目標及策略；
- 擴展集團業務至新業務範疇；
- 年度預算；
- 中期及末期業績公佈初稿；
- 股息；
- 重大銀行融資；
- 重大收購及出售；
- 重大關連交易；
- 年度內部監控評估；及

### D2. 董事會轄下委員會

董事會轄下設有兩個董事會委員會（審核委員會及薪酬委員會），其明確職權範圍於本公司網站[www.nblife.com](http://www.nblife.com)登載。

董事會委員會於各會議後向董事會提呈報告，載列其工作或所得結果。

## E. 與股東溝通

### E1. 有效溝通

於股東大會上，均已就每項大致上獨立的事宜（包括選舉個別董事）個別提呈決議案。

全體執行董事、獨立非執行董事、審核委員會主席及薪酬委員會主席均需出席即將舉行之股東週年大會。

### E.2 以按股數投票方式表決

要求以按股數方式表決的程序已載於股東週年大會通告。該等程序亦會於股東週年大會中闡釋。

本公司股份過戶登記處香港證券登記有限公司之代表已獲委任為監票人。

以按股數投票方式表決的結果於舉行會議後第二個營業日在香港各主要報章公佈，並於聯交所及本公司網站刊登。

## 其他企業管治範疇

### 機構投資者通訊

我們認為與機構投資者按照對目標的共同理解進行對話非常重要。一名執行董事及本集團財務總監於年內曾參與在上海、新加坡及香港三地舉行的巡迴路演。

其他股東服務的資料載於本公司網站：[www.nblife.com](http://www.nblife.com)「投資者關係」一章。