3. DETAILS OF THE INITIAL PUBLIC OFFERING

3.1 PRELIMINARY

This Prospectus is dated 20 February 2004.

A copy of this Prospectus has been registered by the SC and lodged with the Registrar of Companies, who takes no responsibility for its contents.

An application will be made to the MSEB within three (3) market days from the date of this Prospectus for admission to the Official List of the Main Board of the MSEB and for permission to deal in and the listing of and quotation for the entire issued and fully paid-up share of the Company, including the Public Issue Shares and Offer Shares which are the subject of this Prospectus. Any allotment and allocation made on an application to subscribe for securities pursuant to this Prospectus shall be void if the permission is not applied for in the form for the time being required by the MSEB before the third day on which the exchange is open after the date of issue of the Prospectus or the permission is not granted before the expiration of six (6) weeks from the date of issue of the Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the exchange within the six (6) weeks or such longer period as may be specified by the SC. These Esthetics Shares will be admitted to the Official List of the Main Board of the MSEB and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the MSEB to deal in and for the listing of and quotation for the entire issued and fully paid-up Shares of the Company, including Public Issue Shares and Offer Shares. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission is not granted.

Pursuant to Section 14(1) of the Securities Industry (Central Depository) Act, 1991, the MSEB has prescribed Esthetics as a CDS counter. In consequence thereof, any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Pursuant to the *Listing Requirements* of MSEB, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the Initial Public Offering and at the point of listing. Upon completion of the Public Issue and at the point of listing, the Company is expected to have the necessary number of shareholders for the Company to be listed on the Main Board of the MSEB. In the event that the above requirement is not met pursuant to the Initial Public Offering, the Company may not be allowed to proceed with its listing on the Main Board of the MSEB. In the event thereof, monies paid in respect of all applications will be returned without interest.

An applicant must state his or her CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS account, the applicant should open a CDS account at an ADA prior to making an application for the Offer/Public Issue Shares. In the case of all application by way of ESA, only an applicant who has a CDS account can make an ESA and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by keying in his/her CDS account number if the instruction on the ATM screen at which he/she enters his/her ESA requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares and Offer Shares by way of ESA.

No person is authorised to give any information or to make any representation not contained herein in connection with the Initial Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by Esthetics. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Esthetics since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares and Offer Shares are subject to Malaysian law and the Company or Hwang-DBS takes no responsibility for the distribution of this Prospectus and/or sale of the Public Issue Shares and Offer Shares outside Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Public Issue Shares and Offer Shares in any jurisdiction in which such offer is not authorised or lawful or to any person to whom it is unlawful to make such offer.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.

These Shares will be admitted to the Official List of the Main Board of the MSEB and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

3.2 INDICATIVE TIMETABLE

Date	Event
20 February 2004	Opening date of Application
1 March 2004	Closing date of Application
3 March 2004	Target date for balloting of application
8 March 2004	Target date of allotment of shares
11 March 2004	Target date for listing of the Company's entire enlarged issued and paid-up share capital on the Main Board of the MSEB

Note:

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application for Public Issue Shares and Offer Shares will open and close at the time and date as stated above or such further period as the Directors and Offerors of Esthetics as well as the Underwriter may mutually decide. Esthetics will notify the public via an advertisement in a widely circulated English newspaper in the event there is an extension of time on the closing date of the application.

3.3 PURPOSES OF THE FLOTATION SCHEME

The purposes of the Flotation Scheme are as follows:

(i) To provide Esthetics access to the Malaysian capital market to raise funds for future expansion and continued growth of the Group;

(ii) To increase the Bumiputera equity participation in the Company in line with the objective of the National Development Policy;

(iii) To provide an opportunity for the employees and business associates of Esthetics Group and the Malaysian Public to participate in the equity and growth of the Group;

(iv) To obtain the listing and quotation for Esthetics Shares on the Main Board of MSEB and to comply with the listing requirements of the MSEB and SC Guidelines with regards to the minimum shareholding spread; and

(v) To enhance the Group's public image and corporate profile.

3.4 CLASSES OF SHARES AND RIGHTS

There is currently only one (1) class of shares in the Company, namely ordinary shares of RM0.50 each. The Public Issue Shares, upon allotment and issue, will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of the Prospectus.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or a representative or proxy or attorney to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held in Esthetics. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

3.5 DETAILS OF THE INITIAL PUBLIC OFFERING

In order to facilitate the listing of and quotation for Esthetics Shares on the Main Board of MSEB, Esthetics will undertake Public Issue of 23,340,000 new Esthetics Shares and Offer for Sale of 6,660,000 Esthetics Shares at an Issue/Offer Price of RM0.75 each representing 25% of the enlarged issued and paid-up share capital of Esthetics and will be allocated in the following manner:

3.5.1 Offer for Sale

6,660,000 Offer Shares representing 5.55% of the enlarged issued and paid up share capital will be placed out to Bumiputera investors approved by MITI.

3.5.2 Public issue

3.5.2.1 Eligible employees and business associates of the Esthetics Group

6,000,000 Public Issue Shares representing 5% of the enlarged issued and paid-up share capital will be reserved for eligible employees and business associates of the Esthetics Group.

(i) The criteria for the allocation of the Esthetics Shares to the eligible employees of the Group as approved by the Board are as follows:

   (a) Length of service;

   (b) Position in the Group; and

   (c) Contribution to the success of the Group.

   As at 27 January 2004, a total of 318 employees are eligible for the allocation of 3,294,100 Esthetics Shares.

(ii) Business associates of the Esthetics Group are eligible to subscribe for the reserved shares based on the following criteria:

   (a) Length of relationship;

   (b) Value of transaction for the seven (7)-months financial period ended 31 August 2003; and

   (c) Significance of the contribution.

   As at 27 January 2004, a total of 132 business associates are eligible to subscribe for allocation of 2,705,900 Esthetics Shares.

3.5.2.2 Placement

8,000,000 Public Issue Shares representing 6.67% of the enlarged issued and paid-up share capital will be placed out to parties to be identified by the placement agent(s).

3.5.2.3 Approved Bumiputera investors

5,340,000 Public Issue Shares representing 4.45% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by MITI.

3.5.2.4 Malaysian Public

4,000,000 Public Issue Shares representing 3.33% of the enlarged issued and paid-up share capital will be made available for application by Malaysian Public, of which at least 30% will be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

The Offer Shares under Section 3.5.1 of this Prospectus and the Public Issue Shares under Sections 3.5.2.1, 3.5.2.2 and 3.5.2.3 above are not required to be underwritten and therefore are not underwritten.

The Public Issue Shares made available to the eligible employees and business associates of the Esthetics Group and Malaysian Public under Sections 3.5.2.1 and 3.5.2.4 of this Prospectus, respectively have been fully underwritten via the underwriting agreement referred to in Section 3.9 of this Prospectus by the Underwriter as set out under the Corporate Directory of this Prospectus.

3.6 PRICING OF THE PUBLIC ISSUE SHARES AND THE OFFER SHARES

The issue/offer price of RM0.75 per share is market driven pricing and has been determined and agreed after taking into account the following factors:

(i) The Group's operating and financial history and conditions as described in Sections 5 and Section 7 of this Prospectus;

(ii) The future plans and prospects of the Group as outlined in Section 5.10 of this Prospectus;

(iii) The forecast net PE multiples of 6.97 times based on the consolidated forecast net EPS of 10.76 sen for the financial year ending 31 January 2005 based on the enlarged issued and paid-up share capital of 120,000,000 Esthetics Shares; and

(iv) The proforma consolidated NTA per Share of the Esthetics Group based on the enlarged share capital as at 31 August 2003 of RM0.62 had the Flotation Scheme been effected as of that date and the proceeds arising from the Public Issue being utilised in the manner as set out in Section 3.7 of this Prospectus.

However, investors/shareholders should also note that the market prices of the Esthetics Shares upon listing on the Main Board of the MSEB are subject to the vagaries of the market forces and other uncertainties that may affect the price of Esthetics Shares.

3.7 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM17.5 million from the Public Issue will accrue entirely to Esthetics and will be utilised in the following manner:

Utilisation	Note	RM'000	To be utilised by the financial year ending 31 January
Establishment of six (6) new Professional Skin Care Centres	(i)	2,500	2006
Refurbishment of twelve (12) existing Professional Skin Care Centres	(ii)	1,000	2006
Investment in information technology facilities	(iii)	1,500	2006
Advertising and promotional expenses for Esthetics Group's products	(iv)	1,500	2006
Construction of corporate office and warehouse building	(v)	2,500	2005
Launching of the FMCG	(vi)	2,000	2005
Overseas business expansion - Hong Kong	(vii)	2,000	2006
Working capital		2,005	2005
Listing expenses	(viii)	2,500	2005
Total		**17,505**	

Notes:

(i) To cater for the increasing demand for skin care services, the Company proposes to allocate RM2.5 million for the establishment of six (6) new Professional Skin Care Centres in the Klang Valley and Penang.

(ii) *The Company will allocate RM1.0 million towards upgrading and refurbishing twelve (12) of its existing Professional Skin Care Centres. The refurbishment is intended to stimulate higher walk-in-customer sales for its products and services and to maintain its image of professionalism and high quality services and customer care.*

(iii) *The Company proposes to invest approximately RM1.5 million in the upgrading of its IT facilities, which includes investment in software licences, professional fees and hardware facilities. The IT facilities will facilitate more effective management decision, increase efficiency and enable the Group to service its customers better. The new software to be installed includes, amongst others, Customer Relationship Management software, Human Resource Management software and Financial Package software. It is envisaged that the investment in the IT facilities will coincide with the completion of the new corporate office cum warehouse building which is expected to be by the financial year ending 31 January 2006.*

(iv) *The Company will allocate RM1.5 million of the gross proceeds towards Advertising and Promotional ("A&P") campaign for the Group's in-house brand of products, amongst others, Averine range of cosmetic products and Efislim range of slimming products (for external application only) and Bioxil range. The A&P campaign is aimed to bring about brand awareness and to reinforce brand loyalty of the Group's product range.*

(v) *The Company proposes to construct a six (6)-storey corporate office cum warehouse building ("New Corporate Head-Office") on a piece of freehold land measuring 3.29 acres, which is located at Bukit Jelutong, Shah Alam. Upon completion, all operations of the Group, namely marketing, research and development, training, finance and administration will be housed under one roof in the New Corporate Head-Office and its products will be stored in the warehouse building. Hence, this will facilitate a more efficient management of the Group's operation. The New Corporate Head-Office is expected to have a gross and net built-up area of approximately 25,000 sq. ft. and 21,550 sq. ft., respectively. The warehouse facilities are expected to have a gross and net built-up area of approximately 30,000 sq. ft. and 27,000 sq. ft., respectively.*

(vi) *The Company proposes to allocate RM2.0 million for the promotion of its FMCG. The FMCG will provide the opportunity for the Group to expand its existing portfolio of products and by reaching to the mass consumer market.*

(vii) *The Company proposes to allocate RM2.0 million for the establishment of two (2) Corporate Professional Skin Care Centres in Hong Kong.*

(viii) *The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Esthetics on the MSEB, to be borne by the Company are as follows:*

	RM
Professional advisory fees	*950,000*
Fees to authorities	*100,000*
Underwriting commission, placement fees and brokerage fees	*350,000*
Advertising and printing	*562,500*
Contingencies	*537,500*
Total estimated listing expenses	***2,500,000***

3.8 UNDERWRITING COMMISSION AND BROKERAGE

3.8.1 Underwriting commission

The Underwriter has entered into an underwriting agreement on 9 February 2004 for the underwriting of 10,000,000 Public Issue Shares to be made available to the Malaysian Public and eligible employees and business associates at an underwriting commission rate of 1.75% of the issue price of RM0.75 per share.

3.8.2 Brokerage

Brokerage is payable by the Company in respect of the Public Issue Shares at the rate of 1.0% of the Issue Price in respect of successful applications bearing the stamp of either Hwang-DBS, a participating organisation of MSEB, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH. Brokerage in respect of the Offer Shares is payable at the rate of 1.0% of the Offer Price by the Offerors.

3.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the underwriting agreement dated 9 February 2004 are summarised as follows:

Recital B

The Company is proposing to issue 23,340,000 new Esthetics Shares and to invite for subscription of the same by the public ("Public Issue") at the price of RM0.75 per Public Issue Share payable in full on application in the following manner:

(i) 8,000,000 Public Issue Shares will be made available for application under the private placement;

(ii) 6,000,000 Public Issue Shares will be reserved for eligible employees and business associates of the Company's Group;

(iii) 5,340,000 Public Issue Shares will be reserved for Bumiputra investors/institutions approved by MITI; and

(iv) 4,000,000 Public Issue Shares will be made available for application to Malaysian citizens, companies, co-operatives, societies and institutions.

Recital H

At the request of the Company, the Underwriter has agreed to 10,000,000 Issue Shares mentioned in Recital B (ii) and (iv) above (hereinafter called "the Underwritten Issue Shares") at the Underwriting Commission in the manner and upon the terms and conditions herein.

2.6 Payment of Underwriting Commission

(iii) The Underwriting Commission shall remain payable notwithstanding the termination of this Agreement for any of the following reasons:

(a) the Company decides not to proceed with the listing of and quotation for the entire issued share capital of the Company on the Main Board of the MSEB;

(b) the Issue Shares having been fully and validly subscribed for;

(c) non-fulfillment of any of the conditions precedent set out in Clause 4 hereof; and

(d) as a result of the occurrence of any of the force majeure events described in Clause 5 hereof.

For the avoidance of doubt, the Underwriting Commission shall be payable by the Company to the Underwriter immediately upon termination of this Agreement.

3.6 Underwriter Entitled to Elect to be Discharged in Case of Breach

(i) In the event of any material breach of the warranties, representations or undertakings set out herein or failure on the part of the Company to perform any of the obligations herein contained or any change rendering any of the said representations, warranties, obligations or undertakings inaccurate in any material respect coming to the notice of the Underwriter prior to the Closing Date, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect or treat such breach, failure or change as releasing or discharging it and the Underwriter from its obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of all costs and expenses referred to in Clause 7.3 hereof AND PROVIDED FURTHER THAT failure to make such election as aforesaid shall be without prejudice to the right of the Underwriter to treat any further or other breach, failure or change as releasing and discharging the Underwriter from its obligations as aforesaid.

(ii) On delivery of such a notice pursuant to this Clause 3.6, this Agreement shall become void and each Party's rights and obligations hereunder shall cease and none of the parties (except for the liability of the Company in respect of payment of costs and expenses referred to in Clause 7.3 incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Underwriter and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company or the Underwriter shall not be under any obligation to enter into such new agreement.

3.7 Withdrawal or Non-Procurement of Approval for Listing by the MSEB

The Underwriter shall have the right to terminate this Agreement by notice in writing served by the Underwriter on the Company in the event that the approval in principle of the MSEB for the listing of and quotation for the Issue Shares on the Main Board of the MSEB is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriter and upon such termination the liabilities hereto of the Company and the Underwriter shall become null and void and none of the Parties shall have a claim against each other save that each Party shall return any monies paid to the other under this Agreement within forty-eight (48) hours of the receipt of such notice PROVIDED THAT the Company shall remain liable for the payment of the Underwriting Commission pursuant to Clause 2.5 and for the payment of all costs and expenses referred to in Clause 7.3 hereof.

3.8 Change in Circumstances

Notwithstanding anything herein contained the Underwriter may at any time before the Closing Date, by notice in writing to the Company, propose to terminate its obligations under this Agreement if in its reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the Underwritten Issue Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war or the declaration of a state of national emergency.

4. CONDITIONS PRECEDENT

4.1 The obligations of the Underwriter under this Agreement shall be conditional upon:

(i) the Company's application, the SC having approved the Prospectus and MSEB having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued ordinary share capital of the Company on the Main Board of the MSEB on terms satisfactory to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) business days (or such other period as the MSEB may permit) after MSEB has received all the necessary supporting documents and receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;

(ii) there not having been, on or prior to the Closing Date, in the opinion of the Underwriter (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which in the opinion of the Underwriter (whose opinion is final and binding) is material in the context of the issuance of the Issue Shares or the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations, warranties or undertakings contained in this Agreement as though they had been given or made on such date;

(iii) upon the Company's application, the registration with the SC and lodgment with the CCM of the Prospectus together with copies of all documents required by the SCA and the issue by the SC of the relevant certificate of registration;

(iv) the Public Shareholding Spread is met;

(v) all agreements in relation to the Placement in a form acceptable to the Underwriter, have been duly executed before the issuance of the Prospectus;

(vi) the issuance of the Prospectus within one (1) month from the date of this Agreement;

(vii) the delivery to the Underwriter prior to the date of issuance of the Prospectus to the SC of:

(a) a certified true copy by an authorized officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue and authorizing the execution of this Agreement and the issuance of the Prospectus;

(b) a certificate in the form or substantially in the form contained in the Second Schedule dated the day of the Prospectus signed by the duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.1 hereof;

(c) such evidence satisfactory to the Underwriter that the Placement has been fully placed out; and

(d) such evidence satisfactory to the Underwriter that the 5,340,000 Issue Shares mentioned in Recital B (iii) above has been fully placed out to Bumiputera investors/institutions approved by MITI;

(viii) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Company;

(ix) the Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 7.3;

(x) the Public Issue is not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

(xi) the Underwriter having been satisfied that the Company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;

(xii) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SCA in relation to the Public Issue and the lodgement of the Prospectus with the CCM on or before their release under the Public Issue; and

(xiii) this Agreement having been duly executed by all Parties and stamped.

4.2 If any of the conditions stipulated in Clause 4 (i) to (xiii) above are not satisfied on or before the Closing Date and if after the Closing Date it shall become apparent to the Underwriter that the Public Shareholding Spread has not been met, the Underwriter shall thereupon be entitled, to terminate this Agreement by notice in writing to the Company and in that event the parties hereto shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of the Underwriting Commission and of all other costs and expenses including but not limited to those referred to in Clause 7.3 hereof.

5. FORCE MAJEURE

Notwithstanding anything herein contained the Underwriter may at any time be entitled to terminate its obligations under this Agreement with a notice in writing delivered to the Company on the occurrence of all or any of the matters stated in this Clause 5 on or before the Closing Date if the success of the Public Issue is, in the opinion of the Underwriter (whose opinion is final and binding), seriously jeopardised by:

(i) any Government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter (whose opinion is final and binding) seriously affects or will seriously affect the business and/or financial position of the Company; or

(ii) any change or any development involving a prospective change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or

(iii) any breach by the Company of the representations, warranties and undertakings referred to in Clause 3 hereof or withholding of information of a material nature from the Underwriter; or

(iv) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which, in the opinion of the Underwriter, has or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or

(v) any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or

(vi) the imposition of any moratorium, suspension or material restriction on trading insecurities generally in the MSEB due to exceptional financial circumstances or otherwise; and

(vii) if the Kuala Lumpur Composite Index drops below 700 points.

On delivery of such a notice by the Underwriter to the Company and confirmation of such a notice by facsimile or by hand, this Agreement shall be terminated and the obligations of the Underwriter under this Agreement shall be discharged accordingly. In the event of any such termination under this Clause 5, the Company shall bear all the cost and expenses incurred under this Agreement including but not limited to those stated in Clause 7.3 hereof.

6. TERMINATION

6.1 Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Issue Shares if:

(i) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

(ii) there is failure on the part of the Company to perform any of its obligations herein contained; or

(iii) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

(iv) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company; or

(v) there shall have occurred, or happened any of the following circumstances:

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

6.2 Upon any such notice(s) being given pursuant to Clause 6.1, the Underwriter shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable for the payment of the Underwriting Commission and in respect of its obligations and liabilities under Clause 7.3 for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

7.3 ***Costs***

The Company shall bear and pay the Underwriting Commission and all costs, charges and expenses of and incidental to the negotiation, preparation, execution and stamping of this Agreement. The Company shall further pay all brokerage fees, transfer fees, printing and publishing charges and all other cost and expenses of and incidental to the Public Issue for the listing of and quotation for the Issue Shares on the Main Board of the MSEB, including the costs and charges that may be incurred in the registration of such number of the Underwritten Issue Shares allotted to the Underwriter or its nominees in the denominations requested by the Underwriter, and in connection with the proposed and eventual listing or the maintenance of the listing for the Issue Shares if any.

The Company also agrees to:

(i) reimburse the costs and expenses of the Underwriter and travelling, telex, cable, telephone and postage expenses, in connection with the Issue Shares; and

(ii) to bear or pay the fees of its legal advisers, its auditors and such other professional advisers as may be necessary in connection with the Issue Shares.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE GROUP AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE PUBLIC ISSUE SHARES AND OFFER SHARES ARE ADVISED TO CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION AS CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES AND OFFER SHARES.

4.1 NO PRIOR MARKET FOR ESTHETICS SHARES

As there has been no prior market for Esthetics Shares, there can be no assurance that an active market may be developed upon the Company's listing on the Main Board of the MSEB or if developed, that such market will be sustained. The issue/offer price of RM0.75 per share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, its future earnings, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market price for shares of companies engaged in similar businesses to that of the Group and the prevailing market conditions at the time when the issue price was determined. There can be no assurance that the Issue/Offer Price will correspond to the price at which Esthetics will be traded on the Main Board of the MSEB upon or subsequent to its listing. The price at which the Esthetics Shares will be traded may be higher or lower than the Issue/Offer Price.

4.2 CAPITAL MARKET RISK

As an investor of the Esthetics Group, it is to be noted that the Group will be listed on the Main Board of the MSEB. The performance of the MSEB is dependent on various factors including external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on the MSEB, thus adding risk to the market price of the Esthetics Shares. Nevertheless, the profitability of the Group is not dependent on the performance of the MSEB.

4.3 BUSINESS RISK

4.3.1 Dependence on distribution rights from DI

DI is the principal of the Dermalogica range of professional skin care products and is currently the single largest supplier to DESB. Further to that, the supply from DI constitutes approximately 45.30% of the total sales of Esthetics Group for the seven (7)-month financial period ended 31 August 2003. The continued success of Esthetics hinges quite largely on its ability to retain its Distribution Agreement for a period of ten (10) years.

Like all other exclusive distributors, the Group may face the risk of its exclusive distributorship being terminated by its principal (that is DI). The loss of this exclusive distributorship may result in Esthetics Group no longer being able to use the "Leonard Drake" trademark for its skin care centres and the exclusivity in distributing Dermalogica range of products in the Territory. Accordingly, the successful operations of the Esthetics Group in the future may be dependent on the Group's ability to comply with the provisions of the Distribution Agreement and the successful negotiation of its renewal upon expiry.

In the very unlikely event the exclusive distributorship right is withdrawn, DESB could still purchase the Dermalogica range of products on normal commercial terms from DI. The Directors believe that the Group has developed a strong business relationship with DI since DESB was first appointed the exclusive distributor for DI in 1989. Since its appointment, DESB has been able to maintain the sales requirement and sustain the growth of Dermalogica range of products, via well-established distribution network of Esthetics in the Territory. This, therefore, reduces the likelihood of withdrawal of the exclusive distributorship rights by DI based on commercial reasons. DESB's strong infrastructure and experience in promoting the Dermalogica brand in the Territory will give it further leverage in retaining the exclusive distribution rights. On 17 March 2003, DI has in a letter further reiterated its trust in DESB as the exclusive distributor as well as DI's valued business associates.

In mitigating the risk of high dependency on the distribution rights from DI, the Group has also embarked on developing a more diversified portfolio of services, products and markets in the near future. Notwithstanding that, there can be no assurance that the new portfolio of services, products and markets will be able to replace Dermalogica range of products.

There are also many other alternative suppliers of skin care products in the world. Some of the countries that are renowned for their skin care products and cosmetics include France and Switzerland. In a worst case scenario where DI stops production of its products, the Esthetics Group is able to source alternative supply, although under such a scenario, the brand of skin care products will be different.

4.3.2 Restriction in the selling of new professional skin care products

Under the Distribution Agreement, DESB has to seek the permission of DI if they intend to introduce new professional skin care products that are not from DI and which will be sold through the same channel as Dermalogica range of products. However, this does not extend to products currently manufactured, sold, advertised or distributed by DESB such as the Averine, Bioxil and Efislim range of products. In the event that DI does not grant permission, the Esthetics Group could still distribute the new skin care products through alternative distribution channels.

In mitigation, Esthetics is of the opinion that permission to introduce its own brand of products to the same distribution channel will not be unreasonably withheld, and this is confirmed by the fact that so far DI has allowed the launch of four (4) skin care products under the Bioxil range which has been included in the Distribution Agreement signed on 1 May 2002. However, there can be no assurance that DI will not withhold its permission for the Esthetics Group to introduce new professional skin care products.

4.3.3 Overseas country sub-distributorships

Esthetics has been relying on its Overseas Country Sub-distributors in marketing and promoting the Dermalogica range of professional skin care products in countries, namely, Thailand (via DCCL, its 49.9% associated company), Singapore, Indonesia, Philippines and Vietnam (via DESB, its wholly-owned subsidiary). Its presence in Hong Kong is represented by EIHK (its 95% subsidiary company). The sales and distribution via the Overseas Country Sub-distributors have contributed approximately 23.54% to the total revenue of DESB for the seven (7)-month financial period ended 31 August 2003. Accordingly, in the event of a substantial withdrawal of these Overseas Country Sub-distributors, there will be an adverse impact on the Group's revenue and profitability.

Notwithstanding the above, the Directors believe that the Group has developed strong business relationships with its existing Overseas Country Sub-distributors, some of which have been with the Group for more than twelve (12) years. Accordingly, the Directors do not foresee any impending or potential loss of any of its current pool of Overseas Country Sub-distributors in the foreseeable term.

4.3.4 Operational risks

As with any business, the Group is susceptible to the normal security risks in the form of breakout of fire, energy crisis, flood, theft and breakout of computer viruses. Such incidences may affect the operational and financial performance of the Group. However the financial impact is expected to be not significant since the Group's business is spread out over many premises as opposed to being focus in one area.

To further mitigate these risks, the Group has in place the following risk management practices and pre-emptive measures:

(i) The Group has formed a Safety Committee (consisting of senior management and operational staff of the Group) which is entrusted with the duty of formulating security policies and control systems and ensuring that the policies and systems are adhered to. Regular inspections are also carried out to ensure a safe working environment for employees;

(ii) The Group carries out regular service and maintenance of office equipment and safety systems to ensure that they are in good condition and to minimise the frequency of breakdowns;

(iii) All data in the main computer server are backed up automatically in a twin hard-disk. Further back-up is done on a weekly basis in a storage device which is stored away from the office;

(iv) The corporate office is installed with fire fighting systems such as hose reel, sprinklers and fire extinguishers. Regular fire drills are also conducted to train the employees on basic fire fighting techniques and the use of fire fighting equipment; and

(v) The corporate office is also installed with a back-up generator set in the event of electricity failure.

In addition to the above, the Group has taken reasonable measures to ensure that its assets are adequately covered by insurance in order to mitigate the losses which may arise as a result of insured contingencies. The types of insurance coverage taken by the Group include, but are not limited to, fire insurance, theft and accidental damage on equipment, product liability and public liability. There can be no assurance that these mitigating factors will be able to entirely mitigate the normal security risk.

4.4 INFRINGEMENT ON INTELLECTUAL PROPERTY RIGHTS BY THIRD PARTIES

"Dermalogica" and "Leonard Drake" are registered trademarks of DI in the USA. In the Territory, the "Dermalogica" trademark is currently pending registration in Philippines and Brunei while the "Leonard Drake" trademark is only currently registered in Malaysia, Hong Kong, Thailand and Vietnam. Registration in other countries in the Territory is currently pending. DESB has been granted the exclusive rights to use the "Leonard Drake" trademarks and to distribute and sell the Dermalogica range of products manufactured by DI under the Distribution Agreement. Any infringement of the trademarks by third parties in the Territory may result in a significant impact on the business and profitability of the Group. The Group is required to notify DI of any infringement of intellectual property rights, which the Group becomes aware of.

As a mitigating factor, should such infringement of intellectual property rights occur, DI has the discretion to decide whether to take any legal action in relation to such infringements and should DI decide not to take any legal action to enforce its rights, DESB may enforce such intellectual property rights on behalf of DI at its own cost as stated in the Distribution Agreement. However, since 1989 when DESB was first granted the exclusive distribution rights for the Dermalogica range of products, as far as the Directors are aware, there have been no instances of infringement of intellectual property rights. However, should such infringement occur, they do not foresee that it will be a major threat as the Esthetics Group has a strong and well-established network of distribution and goodwill in the Territory. However, there can be no assurance that any infringement of intellectual property right will result in a major threat to the Group.

4.5 RELIANCE ON SUCCESSFUL LEASING OF PRIME LOCATIONS

The growth of the Group's business is fairly dependent on its ability to lease retail outlets for its Professional Skin Care Centres in appropriate shopping malls or shophouses, where there are good pedestrian traffic and close proximity to its customers and target market. Any failure to establish successful or maintain the Group's current retail outlets at prime locations may lead to reduced revenue and increased costs and hence may have an adverse impact on the Group's financial position and future growth. The Group may also risk losing goodwill attached to the business carried on at such premises should they fail to renew lease agreements.

In mitigation, the Esthetics Group has in the past been able to secure proper retail outlets in good locations with high pedestrian flow. As at 27 January 2004, it has a total of twenty-two (22) Professional Skin Care Centres and one (1) kiosk strategically located and operating from prime, high-end shopping malls or strategically located shoplots in the Klang Valley and Penang. These outlets are leased from independent third parties, generally for a period of two (2) to three (3) years. Based on past experience, there has not been any major disruption to the leasing of those outlets. The Group has vast experience in identifying, negotiating and obtaining outlets in prime locations and will continue to do so in the future. However, there can be no assurance that the Group will be able to continue to lease these prime locations.

4.6 COMPETITION

The competition in the professional skin care and cosmetic industry in Malaysia is intense. The Group may face keen competition from both local and foreign players, some of which may have more extensive financial, marketing and product resources as well as long-established name recognition than the Group. In addition, the Group may face competition from new market entrants. Generally, competition may arise in respect of pricing, distribution outlets, market reputation, products quality, professional skin care services quality as well as customer services.

As discussed in Section 5.4 of this Prospectus, the Directors believe that the Group has competitive edge over other players in the market place in relation to its services and product quality, distribution networking, market positioning and market reputation. These are evidenced in its 32.4% average annual growth in revenue over the past five (5) years. As at 27 January 2004, it has a total of twenty-two (22) Professional Skin Care Centres and one (1) kiosk and three hundred and thirty nine (339) dealers.

4.7 BRAND-SWITCHING

Brand switching is common within consumer products sector. This is due to the nature of consumer products whereby there is a higher tendency for consumers to try other brands either on a temporary basis or permanently change brands altogether. This also applies to the professional skin care and cosmetics industry. The tendency for consumers to switch brands may adversely impact the revenue of the Esthetics Group.

The risk is somewhat mitigated by the fact that the Esthetics Group has an established brand of professional skin care and cosmetic products supported by its professional skin care services. This complementary range of services and products helps to minimise the risk of brand switching.

4.8 MARKET ACCEPTANCE OF SERVICES / PRODUCTS TO BE LAUNCHED BY THE ESTHETICS GROUP

To maintain its competitiveness in the industry, the Esthetics Group has widened its product portfolio to include a wider range of skin care, cosmetics and slimming products in addition to the Dermalogica range of professional skin care products. The Group also introduced new service packages to support its current products. In 2001, the Group launched its in-house brand of slimming products, namely, Efislim (for external application only) and Averine range of cosmetic products to serve a more diversified market demand and a growing customer base. In order to support the sale and distribution of the Efislim range of products, the Group has developed a new series of slimming treatment services for Efislim product users. If ever the Esthetics Group fails to respond to any future changes in consumer demand, or if there is any decline in the popularity of Dermalogica range of products in the Territory, the business of the Group may be adversely affected.

As a mitigating factor, Esthetics has been responding to future change and consumer demand by introducing new products and services. These new products and services are a result of Esthetics' product research and development efforts, which consist of basic research and product commercialisation research. Esthetics' product research and development efforts led to the introduction of Averine in August 2001. Notwithstanding the above, the Group is subject to certain risks inherent in the newly launched products and services. In this aspect, whilst the new products and services are expected to contribute positively to the Group's future earnings, there is no assurance that the new products and services will be successful in gaining a market share in the competitive industry.

4.9 FLUCTUATION IN FOREIGN EXCHANGE RATE

The Group is vulnerable to the fluctuation in foreign exchange rate due to its high level of imports for the professional skin care and cosmetic products. For the seven (7)-month financial period ended 31 August 2003, approximately 88.74% of the DESB's total purchases are denominated in USD as the Group's main product, Dermalogica range of professional skin care products are imported from the USA. The Asian financial crisis in 1997 had resulted in adverse fluctuation of RM against other major currencies. As a result, it had pressured on the profitability of the Group when the Group had to absorb the price differences. Notwithstanding that, the Group practises natural hedging by using its USD revenue to settle its purchases transacted in USD. For instance, for the seven (7)-month financial period ended 31 August 2003, approximately 10% of the total sales value of the imported Dermalogica range of products from USA are exported to overseas sub-exclusive distributors and the sales are denominated in USD.

The risk of foreign exchange fluctuation has been minimised since the imposition of the currency control with a pegged exchange rate of RM3.80 to USD1.00 on 1 September 1998. However, there is no assurance that the uplifting of the aforesaid currency control or a change in the aforesaid pegged exchange rate will not have an adverse impact on the Group's business in the future. In the event the aforesaid exchange rate is altered or withdrawn, the Group may undertake hedging to mitigate such risk.

In addition, the foreign subsidiary and associate company, namely EIHK and DCCL, which trade in foreign currency is subject to the fluctuation of foreign exchange rate. However, the fluctuation of foreign exchange rate arising from EIHK and DCCL would not have a material impact to the Esthetics Group in view that they are not major contributors to the Group.

4.10 DEPENDENCE ON KEY PERSONNEL

The Group believes that its continued success depends to a significant extent upon the abilities and continued effort of the Group to retain its existing executive directors and key management. The loss of any key member of the Group's executive directors and key management may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, efforts are presently made by the Group to groom the other members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur. The Group's future success will also depend upon its ability to attract, retain and motivate skilled personnel.

As a mitigating factor, the Group has a planned succession plan for its key personnel. Whilst Lim Yee Soon (Executive Chairman), Melissa M. Chen (Group Chief Executive Officer) and Kan Kok Chee, (Executive Director) remain as the pillar behind the management team of the Esthetics Group, driving and spearheading the business strategy and direction of the Esthetics Group; the day-to-day operation of the Group are being handled by a team of professional managers, who have vast experience in their respective field and are well capable of managing and leading the Group in the absence of the three persons as above.

The Directors are confident that it is able to retain its existing employees and attract new professionals / skilled employees. This is in view of the Group's competitive remuneration scheme and secured working environment. Besides monetary compensation, the Group also believes in providing regular training to its employees (either professionals or skilled trainers/therapists) by sending them to attend both internal and external courses, which include technical upgrading, self-enrichment and self-development.

As such, the loss of any key management is therefore, not expected to cause any major disruption to the Group's operations.

4.11 STAFF TURNOVER

The Esthetics Group, which involved in providing professional skin care services, is highly labour intensive. Staff turnover is common in this industry. The Group believes that the staff turnover will not significantly affect the performance of the Company's business as the Group has continuously made effort to train all staff and retain the skilled personnel and every effort is presently made to groom the younger members of the management to eventually take over from the senior members to ensure smooth transition in the management team should changes occur. In addition, the Group practices review of staff welfare, remuneration and benefits and career development of every staff on a regular basis.

The Group has a well-trained and diversified pool of human resources, which ensures continuity in the Group's business and management notwithstanding staff turnover. Hence, staff turnover does not significantly affect the Group or its business prospect as replacements can quickly be found and the remaining staff is in the position to continue providing the support needed.

4.12 CONTROL BY SUBSTANTIAL SHAREHOLDERS

Upon completion of the Initial Public Offering, the three (3) substantial shareholders of the Company, namely, Lim Yee Soon, Melissa M. Chen and Kan Kok Chee will collectively own a total of 55.0% of the enlarged share capital of the Company. As a result, it is likely that the said substantial shareholders may be able to jointly influence the outcome of certain transactions/matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

However the Company has appointed two (2) Independent Non-Executive Directors as a step towards good corporate governance and compliance with the MSEB's Listing Requirements to, amongst others, ensure that any future transactions involving related parties are entered into on arm's length terms.

4.13 CHANGES IN GENERAL ECONOMIC AND POLITICAL CONDITIONS

The Group's future growth and performance may to certain extent depend on the political and economic developments in Malaysia and countries where the Group has business dealings, such as, Thailand, Hong Kong, Singapore, Brunei, Vietnam, Indonesia and Philippines. The future growth may also be subject to the overall changes in inflation, interest rates, tariffs, duties, taxation and social developments within and outside Malaysia.

Notwithstanding the above, the Government of Malaysia has in recent years introduced initiatives to stimulate the economy as well as encouraging consumer spending. Based on the Group's experience, the Esthetics Group has not encountered any major adverse effect in its profitability from developments in the political conditions of the country. However, there can be no assurance that the future growth and performance of the Group would remain favourable in the event of any significant changes in the general economic, political and legislative conditions within and outside Malaysia in the future.

4.14 PROFIT ESTIMATE AND PROFIT FORECAST

This Prospectus contains a profit estimate and a profit forecast of the Group that are based on certain assumptions deemed reasonable by the Directors of the Group, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements and inherent uncertainties and contingencies of the profit estimate and the profit forecast and because of events and circumstances do not always materialise as expected, there can be no assurance that the profit estimate and the profit forecast contained herein will be realised. The actual result may materially be different from those shown. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the profit estimate and the profit forecast that are contained herein.

4.15 FORWARD LOOKING STATEMENT

Other than statements of historical facts, this Prospectus also contains forward-looking statements, which are statements that are based on assumptions that are subject to uncertainties and contingencies. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct. Any difference in the Group's expectations from actual eventualities may affect the Group's anticipated financial and business performance and plans.

4.16 FAILURE/DELAY IN THE LISTING EXERCISE

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:

(i) the Underwriter of the Initial Public Offering fail to honour their obligations under the underwriting agreement;

(ii) the placees under the private placement fail to acquire the Public Issue Shares allocated to them;

(iii) the Bumiputera investors approved by MITI fail to acquire the Public Issue Shares and Offer Shares allocated to them; and

(iv) Esthetics is unable to meet the public shareholding spread requirement that is at least 25% of the enlarged issued and paid-up share capital of Esthetics is held by a minimum number of 1,000 public shareholders.

4.17 RISK OF TERMINATION OF DISTRIBUTION AGREEMENT IN THE EVENT OF CHANGE IN MANAGEMENT CONTROL

Under the Distribution Agreement, in the event a Material Change is proposed by either DESB or DI, the party proposing the change shall inform the other party in writing not less than sixty (60) days in advance of such proposed Material Change.

The other party shall then have the right to renegotiate the terms and conditions of the Distribution Agreement. Such re-negotiation shall not result in the termination of the Distribution Agreement, save and except where a competitor of DI or a distributor of products competitive to DI proposes to assume management control of DESB ("Competitor of DI").

In addition, if the Competitor of DI's proposal involves its acquisition of Lim Yee Soon's and/or Melissa M Chen's controlling interest in the holding company of DESB, Lim Yee Soon and/or Melissa M Chen shall first obtain the prior written consent of DI for the same.

"Material Change" in the Agreement is defined to include a change where:

(a) Lim Yee Soon and/or Melissa M Chen no longer have management control of either DESB or any of DESB's subsidiaries or associated companies (provided those subsidiaries or associated companies are involved in the business of distributing and marketing of skincare products through professional skincare channels); or

(b) the present shareholders of DI cease to jointly hold more than 51% of the ordinary shares of DI.

Therefore, the Group runs the risk of having the Distribution Agreement terminated by DI in the event a Competitor of DI gains management control of DESB by acquiring a controlling stake in Esthetics (being DESB's holding company) from persons other than Lim Yee Soon and/or Melissa M Chen.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK