

FUTURE PLANS AND PROSPECTS

The Group intends to further develop its business by opening additional large-scale beauty and healthcare service centres in Hong Kong and exploring business opportunities in the PRC. In addition, the Group also intends to put more resources in marketing and advertising activities in order to enhance further the recognition of the Group's brandnames. In connection with the Group's expansion, the Group also plans to upgrade its management information system. The Directors consider that the net proceeds from the Share Offer will be sufficient to finance the Group's following business plans:

1. Expansion of the network of service centres in Hong Kong

The Group will continue to expand its business by opening additional large-scale beauty and healthcare service centres. The Directors plan to open two, six and three service centres in Hong Kong and recruit approximately 65, 200 and 100 new staff to operate these new service centres in the years ending 31st March, 2006, 2007 and 2008 respectively. The Group's present service centres are primarily located in the commercial districts targeting customers from middle-to-high income groups including office ladies and females from upper class society. The Group intends to further expand its network of beauty and healthcare service centres to newly developed and populated residential districts such as the New Territories to broaden its customer base through the leasing of properties. In addition, the Group also plans to further develop the existing beauty and healthcare services for men to widen the Group's customer base.

2. Expansion of "be Sanctuary Spa" business in Hong Kong

The Group opened its flagship "**be Sanctuary Spa**" service centre in Wanchai, Hong Kong in July 2004, which was awarded ISO9001:2000 Quality Certificate by the British Standards Institution in 2005. With the growing popularity of spa services in Hong Kong, the Directors believe that there are an increasing number of female customers who are willing to spend on spa treatments and that the Group's spa services are well-positioned to capture this business opportunity. During each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, the sales attributable to spa and massage services amounted to approximately HK\$71.7 million, HK\$87.5 million, HK\$88.3 million and HK\$32.0 million, respectively.

The Directors believe that with the opening of Hong Kong Disneyland in September 2005, the number of PRC visitors to Hong Kong will increase and lead to a stronger demand for beauty and healthcare services. The Group also intends to collaborate with renowned hotels or resorts or property developers in Hong Kong to provide beauty and healthcare services to their guests or residents. In addition, the Group plans to strategically ally with travel agencies to include "**be Sanctuary Spa**" service centres as one of the trips in Hong Kong tour package for overseas visitors.

3. Expansion to the PRC market

With increasing purchasing power and improving living standards in the PRC, particularly in the major cities, the Directors believe that the beauty and healthcare service industry in the PRC has immense development potential. In the absence of large-scale and quality beauty and healthcare service centres in the PRC and given that the Group has successfully developed its beauty and healthcare service network in Hong Kong, the Directors believe that the Group is able to leverage on its past experiences, expertise and professional beautician teams in building up the beauty and healthcare service business in the PRC as an initial step for geographical expansion of the Group. In this connection, the Group has registered some of its brandnames in the PRC to facilitate its future penetration into the PRC beauty and healthcare service business.

4. Increase of marketing and advertising activities

To secure a leading position in the beauty and healthcare service industry and maintain a competitive advantage in Hong Kong, the Directors believe that marketing and advertising activities are important in strengthening brand loyalty and recognition in the market. In this regard, the Directors intend to place additional efforts in the Group's marketing and advertising activities by implementing a series of strategies such as launching advertising campaign on media including television, radio, newspapers and magazines, and in selected stations of the Mass Transit Railway.

5. Upgrading of the Group's management information system

In connection with the increasing size of the Group's customer base and its future expansion in Hong Kong and other markets, the Directors plan to dedicate additional resources to enhance the Group's CASM. Details of CASM is set out in the sub-section headed "Management information system" of the section headed "Business" of this prospectus. The Directors believe that an upgraded system will enable the Group to retrieve information in a more timely and accurate manner for conducting management analysis on customers' preference and distribution and consumption pattern and to improve the operating efficiency. This will facilitate the Group to react promptly in respect of making operational and financial decisions and to capture any potential business opportunities.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen the Group's capital base and will provide funding for achieving the Group's business strategy and carrying out its future plans as set out in the section headed "Future plans and prospects" of this prospectus.

FUTURE PLANS AND PROSPECTS

Based on an Offer Price of HK\$0.98 (being the mid-point of the Offer Price range between the maximum indicative Offer Price of HK\$1.08 per Offer Share and the minimum indicative Offer Price of HK\$0.88 per Offer Share), the gross proceeds of the Share Offer are estimated to be approximately HK\$176.4 million, and the net proceeds of the Share Offer, after deducting related expenses payable by the Company, are estimated to be approximately HK\$161.9 million. To implement the Group's future plans, the Directors presently intend to apply such net proceeds of the Share Offer as follows:

- approximately HK\$57 million will be used for expansion of the network of service centres in Hong Kong. Out of the approximately HK\$57 million, approximately HK\$27 million will be used as capital expenditure, including leasehold improvements of approximately HK\$14 million, equipment and machinery of approximately HK\$10 million, furniture and fixtures of approximately HK\$2 million and computers of approximately HK\$1 million for new service centres for the three years ending 31st March, 2008. Approximately HK\$14 million will be used for renovation of the existing service centres, and the remaining capital of approximately HK\$16 million will be reserved for the opening of new service centres in 2009 and afterwards, subject to the economic or business conditions at that moment;
- approximately HK\$48 million will be used for the expansion of “**be Sanctuary Spa**” business. Out of the approximately HK\$48 million, approximately HK\$44 million will be used to collaborate with renowned hotels or property developers to provide spa treatment services to the hotel guests or residents by setting up spa corners in the hotels or the residents' clubs or other places designated by the hotels or the property developers, which consists of leasehold improvements of approximately HK\$18 million, equipment and machinery of approximately HK\$18 million and furniture and fixtures of approximately HK\$8 million. The remaining approximately HK\$4 million will be used to ally with travel agencies to include “**be Sanctuary Spa**” service centres as one of the trips in Hong Kong tour package for overseas visitors;
- approximately HK\$29 million will be used for the launching of advertising campaign in the mass media to promote the Group's services and products and to enhance its brandnames and image to the public. These include engaging renowned celebrities as spokespersons of approximately HK\$7 million, producing advertisement series with specific themes of approximately HK\$9 million and posting advertisements in the mass media of approximately HK\$13 million;
- approximately HK\$7 million will be used for the assessment and examination of the beauty and healthcare service market in the PRC by setting up several small-scale beauty service centres in various selected locations to understand the customers' needs on beauty and healthcare services;

FUTURE PLANS AND PROSPECTS

- approximately HK\$5 million will be used for upgrading of management information system of the Group to enhance the CASM (including the hardware costs and the software development costs); and
- the remaining balance of approximately HK\$15.9 million will be used for general working capital of the Group.

Should the Offer Price be fixed at HK\$0.88 or HK\$1.08 per Offer Share, being respectively the lowest and highest point of the indicative Offer Price range as stated in this prospectus, the net proceeds of the Share Offer, after deduction of all related expenses paid and payable by the Company, are estimated to be approximately HK\$144.4 million or HK\$179.5 million respectively. The Directors currently intend to apply the aforesaid net proceeds in the same manners and in the same proportion as shown above.

In the event that the Over-allotment Option is exercised in full, the net proceeds of the Share Offer to be received by the Company will be increased by approximately HK\$23.2 million or HK\$28.4 million, assuming the Offer Price is determined at the lowest and highest point of the stated range respectively. The Directors intend to apply such additional net proceeds in the same manners and in the same proportion as shown above.

To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes, the Directors will place such proceeds on short term interest-bearing deposits with banks and/or financial institutions in Hong Kong for so long as the Directors consider it to be in the interest of the Group as a whole.