

Notes:

I. Principal accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts) and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

| | | |
|-------------------|---|---|
| SSAP 9 (revised) | : | Events after the balance sheet date |
| SSAP 14 (revised) | : | Leases (effective for periods commencing on or after 1st July 2000) |
| SSAP 30 | : | Business combinations |

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

(a) *SSAP 9 (revised): Events after balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 12, opening retained earnings at 1st April 2000 have increased by HK\$54,210,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March 2000 although not declared until after balance sheet date. Opening retained earnings at 1st April 2001 have increased by HK\$53,535,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not declared until after the balance sheet date. A corresponding decrease in current liabilities by HK\$53,535,000 has been reflected in the comparative 31st March 2001 balance sheet.

Changes to headings used in the previously reported 31st March 2001 balance sheet relating to dividends have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 30: Business combinations

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is generally amortised over 10 years. Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. Such goodwill has not been retroactively capitalised and amortised.

2. Segment information

The Group is principally engaged in the retailing and wholesaling of a wide range of brand name cosmetic products and the provision of health club facilities to members.

An analysis of the Group's turnover and profit/(loss) before taxation for the period by principal activities and markets is as follows:

| | Turnover | | Profit/(loss) | |
|----------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Six months ended | | before taxation | |
| | 30th September | | Six months ended | |
| | 2001 | 2000 | 2001 | 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Principal Activities | | | | |
| Retail and wholesale | 644,274 | 654,721 | 5,526 | 22,102 |
| Membership service | 75,655 | 14,175 | 1,015 | 1,619 |
| | 719,929 | 668,896 | 6,541 | 23,721 |
| Add: Net interest income | | | 11,159 | 21,754 |
| | | | 17,700 | 45,475 |
| Principal Markets | | | | |
| Hong Kong and Macau | 585,268 | 537,122 | 11,092 | 27,730 |
| Thailand | 10,895 | 2,309 | 1,050 | 539 |
| Taiwan | 50,617 | 81,849 | (5,124) | (7,338) |
| Singapore | 37,194 | 30,838 | 759 | 1,749 |
| Malaysia | 24,085 | 16,778 | (352) | 1,041 |
| People's Republic of China | 11,870 | — | (884) | — |
| | 719,929 | 668,896 | 6,541 | 23,721 |
| Add: Net interest income | | | 11,159 | 21,754 |
| | | | 17,700 | 45,475 |

3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Taxation on overseas profits have been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the group operates.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

| | Six months ended 30th September | |
|-----------------------|--|-----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | 1,829 | 6,348 |
| Overseas taxation | 1,547 | 313 |
| Deferred taxation | (40) | — |
| | 3,336 | 6,661 |

4. Interim dividend

| | Six months ended 30th September | |
|--|--|-----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Interim – HK\$0.01 (2000: HK\$0.01) per ordinary share | 13,257 | 13,474 |

5. Earnings per share

- The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to shareholders of HK\$14,892,000 (2000: HK\$38,270,000).
- The basic earnings per ordinary share is based on the weighted average of 1,333,442,144 (2000: 1,353,716,791) ordinary shares in issue during the period.
- No diluted earnings per share has been presented as there is no potential dilutive ordinary share during the period.

6. Fixed Assets

| | HK\$'000 |
|---------------------------------------|----------------|
| At 1st April 2001 | 153,199 |
| Acquisition of subsidiaries (note 13) | 6,376 |
| Additions | 30,493 |
| Disposals/write off | (488) |
| Depreciation | (27,217) |
| Exchange adjustments | (351) |
| At 30th September 2001 | <u>162,012</u> |

7. Intangible assets

| | Goodwill HK\$'000 | Trademark HK\$'000 | Total HK\$'000 |
|---------------------------------------|----------------------|-----------------------|-------------------|
| At 1st April 2001 | — | 1,595 | 1,595 |
| Acquisition of subsidiaries (note 13) | 28,310 | — | 28,310 |
| Amortisation | (708) | (215) | (923) |
| Exchange adjustments | — | (71) | (71) |
| At 30th September 2001 | 27,602 | 1,309 | 28,911 |

8. Trade receivable

Majority of the Group's turnover are cash or credit sales. The aging analysis of trade receivables was as follows:

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---------------|------------------------------------|--------------------------------|
| 0 – 1 month | 17,974 | 10,438 |
| 1 – 3 months | 3,192 | 415 |
| Over 3 months | 2,522 | 325 |
| | <u>23,688</u> | <u>11,178</u> |

9. Other receivables, deposits and prepayments

Included in other receivables are loans to officers which are acquired in relation to the purchase of subsidiaries during the year ended 31st March 2001. Particulars of these loans are as follows:

| | (i) | (ii) |
|--|--|--|
| Name of borrower | Platinum Corporation (note (i)) | Edwin John Phillips |
| Connected party | Edwin John Phillips | N/A |
| Position | Director of a subsidiary | Director of a subsidiary |
| Terms of the loan | | |
| – Duration and repayment terms | On or before 31st August 2001 (note (ii)) | On or before 31st August 2001 (note (ii)) |
| – Interest rate | Interest free | 8.5% per annum |
| – Security | Unsecured | Unsecured |
| Balance of the loan | HK\$'000 | HK\$'000 |
| – At 30th September 2001 | 22,090 | 768 |
| – At 31st March 2001 | 22,090 | 498 |
| Maximum balance outstanding during the period | 22,090 | 768 |

At 30th September 2001, no receivable interest has been accrued for.

Note:

- (i) Mr. Edwin John Phillips is a 50% shareholder of Platinum Corporation.
- (ii) Statutory demands have been served on 29th November 2001 (details refer to note 16).

10. Trade and bills payables

The aging analysis of trade and bills payables is as follows:

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|---------------|------------------------------------|--------------------------------|
| 0 – 1 month | 58,804 | 22,989 |
| 1 – 3 months | 18,108 | 30,509 |
| Over 3 months | 4,057 | 6,628 |
| | 80,969 | 60,126 |

11. Share capital

| | Number of Shares (Thousands) | HK\$'000 |
|--|--|----------------|
| Authorised: | | |
| Balance at 30th September 2001 and 1st April 2001 | 8,000,000 | 800,000 |
| Issued and fully paid: | | |
| Balance at 1st April 2001 | 1,337,203 | 133,720 |
| Issue of shares pursuant to exercise of share options | 3,240 | 324 |
| Issue of shares at par to a director in lieu of cash remuneration pursuant to the terms of his Service Agreement | 1,583 | 158 |
| Repurchase of own shares | (12,894) | (1,289) |
| Balance at 30th September 2001 | 1,329,132 | 132,913 |

(a) *Share options under a share option scheme ("the Share Option Scheme")*

Pursuant to the Share Option Scheme approved by the shareholders of the Company on 22nd May 1997, the Company's directors may, at their discretion, invite executive directors and full time employees of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Details of share options granted by the Company during the period and the options outstanding as at 30th September 2001 are set out as follows:

| Date of grant | Subscription price per share | Exercisable period | Options outstanding as at 1st April 2001 | Options granted during the period | Options exercised during the period | Options cancelled during the period | Options outstanding as at 30th September 2001 |
|--------------------|------------------------------|--|--|-----------------------------------|-------------------------------------|-------------------------------------|---|
| 9th September 1997 | HK\$2.01 | 9th September 1997 to 8th September 2007 | 1,808,000 | – | – | – | 1,808,000 |
| 9th September 1997 | HK\$2.01 | 8th September 1998 to 8th September 2007 | 1,808,000 | – | – | – | 1,808,000 |
| 9th September 1997 | HK\$1.90 | 8th September 1998 to 8th September 2007 | 7,098,000 | – | – | – | 7,098,000 |
| 7th May 1999 | HK\$0.648 | 7th May 1999 to 6th May 2009 | 3,240,000 | – | (3,240,000) | – | – |
| 10th April 2000 | HK\$1.25 | 30th September 2002 to 10th April 2010 | 3,194,000 | – | – | (3,194,000) | – |
| 14th April 2000 | HK\$1.22 | 14th April 2003 to 14th April 2010 | 323,000 | – | – | (323,000) | – |
| 14th June 2000 | HK\$0.96 | 14th June 2003 to 14th June 2010 | 229,000 | – | – | – | 229,000 |
| 19th June 2000 | HK\$0.94 | 19th June 2003 to 19th June 2010 | 217,391 | – | – | – | 217,391 |
| 21st June 2000 | HK\$0.93 | 21st June 2001 to 21st June 2010 | 504,000 | – | – | (92,000) | 412,000 |
| 21st June 2000 | HK\$0.93 | 21st June 2002 to 21st June 2010 | 504,000 | – | – | (92,000) | 412,000 |
| 19th July 2000 | HK\$0.92 | 19th July 2003 to 19th July 2010 | 170,940 | – | – | – | 170,940 |
| 4th June 2001 | HK\$0.68 | 4th June 2002 to 4th June 2011 | – | 196,078 | – | – | 196,078 |
| 4th June 2001 | HK\$0.68 | 4th June 2003 to 4th June 2011 | – | 196,078 | – | – | 196,078 |
| 4th June 2001 | HK\$0.68 | 4th June 2004 to 4th June 2011 | – | 196,079 | – | – | 196,079 |
| | | | | | | | <u>12,743,566</u> |

(b) *Share options under a director's service agreement ("Service Agreement")*

Details of share options granted by the Company to the director in accordance with the terms set out in the Service Agreement during the period and the options outstanding at 30th September 2001 are set out as follows:

| Date of grant | Subscription price per share | Exercisable period | Options outstanding as at 1st April 2001 | Options granted during the period (note) | Options exercised during the period | Options cancelled during the period | Options outstanding as at 30th September 2001 |
|---|------------------------------|--|--|--|-------------------------------------|-------------------------------------|---|
| 14th September 1999 to 2nd September 2001 | HK\$0.928 | 14th September 1999 to 2nd February 2007 | 14,521,054 | 4,585,596 | – | – | 19,106,650 |

Note: Pursuant to the Service Agreement, 764,266 share options were granted to the director on 14th September 1999 and on the second day of each month from October 1999 to September 2001. The exercisable period of the share options commenced respectively from the day of grant to 2nd February 2007.

12. Movement of reserves

| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained earnings HK\$'000 | 30th September 2001 Total HK\$'000 | 30th September 2000 Total HK\$'000 |
|-------------------------------------|---------------------------|--|--|-------------------------------|--|--|
| At 1st April as previously reported | 736,660 | 3,957 | (23,348) | 40,602 | 757,871 | 932,272 |
| Effect of adopting SSAP 9 (revised) | – | – | – | 53,535 | 53,535 | 54,210 |
| At 1st April as restated | 736,660 | 3,957 | (23,348) | 94,137 | 811,406 | 986,482 |
| Final dividend paid | – | – | – | (53,536) | (53,536) | (53,885) |
| Exercise of share options | 1,775 | – | – | – | 1,775 | 888 |
| Purchase of own shares | (6,793) | 1,289 | – | (1,289) | (6,793) | (12,163) |
| Goodwill written off (note) | – | – | – | – | – | (87,972) |
| Exchange differences | – | – | 285 | – | 285 | (1,273) |
| Profit for the period | – | – | – | 14,892 | 14,892 | 38,270 |
| At 30th September | 731,642 | 5,246 | (23,063) | 54,204 | 768,029 | 870,347 |
| Reserves | | | | | 754,772 | 856,873 |
| Proposed dividend | | | | | 13,257 | 13,474 |
| At 30th September | | | | | 768,029 | 870,347 |

Note: The goodwill amount was subsequently changed to HK\$159,429,000 in the annual report for the year ended 31st March 2001 because prior year adjustment has been made in the accounts of the subsidiaries acquired during the year ended 31st March 2001, mainly resulted from the change in the basis of amortisation of service fee income.

13. Acquisition

On 30th June 2001, the Group obtained 55% interest in Shenzhen Sa Sa Ebeca Enterprise Limited which principally engaged in cosmetic trading. The acquired business contributed revenues of HK\$11,870,000 and loss of HK\$1,063,000 to the Group for the three months period from 1st July 2001 to 30th September 2001.

The assets and liabilities arising from the acquisition are as follows:

| | HK\$'000 |
|---|----------|
| Fixed assets (note 6) | 6,376 |
| Bank loans | (7,223) |
| Other assets and liabilities | 9,961 |
| Minority interest | (9,050) |
| Fair value of net assets | 64 |
| Goodwill (note 7) | 28,310 |
| Total consideration | 28,374 |
| Satisfied by: | |
| Cash consideration (note) | 27,374 |
| Expenses incurred in respect of acquisition of subsidiaries | 1,000 |
| | 28,374 |

There were no other significant changes in the composition of the Group during the period ended 30th September 2001.

Note: Out of the cash consideration, HK\$9,000,000 was paid up and held as deposits by 31st March 2001.

14. Commitments

(a) Capital commitments

| | 30th September 2001 HK\$'000 | 31st March 2001 HK\$'000 |
|-----------------------------------|------------------------------------|--------------------------------|
| Contracted but not provided for | | |
| – acquisition of subsidiaries | – | 29,374 |
| – acquisition of fixed assets | 1,964 | 3,225 |
| Authorised but not contracted for | | |
| – acquisition of fixed assets | – | 1,837 |

(b) Commitments under operating leases

As at 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | 30th September 2001 HK\$'000 | Restated 31st March 2001 HK\$'000 |
|---------------------------------------|------------------------------------|--|
| Land and buildings | | |
| Within one year | 137,028 | 121,065 |
| In the second to fifth year inclusive | 148,177 | 137,651 |
| After the fifth year | 389 | – |
| | 285,594 | 258,716 |
| Machinery and club equipments | | |
| Within one year | 834 | 899 |
| In the second to fifth year inclusive | – | 374 |
| | 834 | 1,273 |

15. Contingent liabilities

| | 30th September 2001 HK\$'000 | Group 31st March 2001 HK\$'000 |
|-------------------------------------|------------------------------------|---|
| Letter of credit issued | 6,652 | 19,461 |
| Bank guarantees in lieu of deposits | 6,660 | 5,176 |
| Forward contracts committed | – | 743 |
| | 13,312 | 25,380 |

16. Subsequent Events

On 29th November 2001, Lisbeth Enterprises Limited ("Lisbeth"), a subsidiary of the Company, served two statutory demands as follows:

- (a) one on Mr. Edwin John Phillips ("Mr. Phillips") in respect of an unpaid debt and accrued interest under two Promissory Notes amounting to HK\$12,333,282.42; and
- (b) one on Mr. Barry Richard Wain ("Mr. Wain") in respect of an unpaid debt and accrued interest under two Promissory Notes amounting to HK\$12,322,104.91.

On 17th December 2001, the solicitors for Mr. Phillips and Mr. Wain applied to the High Court to set aside the aforementioned statutory demands. Lisbeth is presently considering further legal actions against Mr. Phillips and Mr. Wain. The directors considered that no provision needs to be made in the financial statements.

On 3rd December 2001, Mr. Phillips issued and served a Writ of Summons against the Company claiming, amongst other things, damages of HK\$31.2 million based on alleged oral agreements made by the Company to exercise a Call Option Agreement. The Company's solicitors have advised that Mr. Phillips' claim is misconceived and should be defended.

On the basis of the advice received from the Company's solicitors, the Company has concluded that the legal action brought by Mr. Phillips will not materially impact the operation and financial position of the Group. Consequently, no provision to the financial statements is deemed necessary at this time.