

## NOTES TO CONDENSED CONSOLIDATED ACCOUNTS

### 1. Basis of preparation and principal accounting policies

These unaudited consolidated condensed interim accounts ("Interim Accounts") have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the accountants' report as disclosed in the Prospectus have been applied to the Interim Accounts, except that the Group has adopted the following new and revised SSAPs which became effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting

The major changes to the Group's accounting policies and the major effects of adopting these new policies are set out below:

SSAP 9 (revised): 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. As detailed in Note 11 to the Interim Accounts, retained earnings at 1st October, 2000 have increased by HK\$8,910,000 by the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 30th September, 2000 although not declared until after the balance sheet date.

SSAP 26: In Note 2 to the Interim Accounts, the Group had disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27th September, 2001 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

On 23rd January, 2002, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the companies comprising the Group. Details of the Reorganisation are set out in the Prospectus.

The Company was listed on the Main Board of the Stock Exchange on 11th March, 2002.

The Group resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the consolidated accounts have been prepared for on the basis of merger accounting. The Interim Accounts have been prepared as if the current group structure had been in existence throughout the six month periods ended 31st March, 2002 and 2001, rather than from the date on which the Reorganisation was completed.

## 2. Segment information

The Group is principally engaged in the retail sales of skin-care products, provision of beauty salon, spa and other related services. An analysis of the Group's turnover and contribution to operating profit for the period by principal activities and geographical locations is as follows:

	Turnover		Contribution to operating profit	
	Six months ended		Six months ended	
	31st March		31st March	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Retail sales of skin-care products	142,480	131,810	29,188	36,864
Provision of beauty-salon, spa and other related services	10,545	15,745	(265)	2,911
	<u>153,025</u>	<u>147,555</u>	<u>28,923</u>	<u>39,775</u>
Other revenues			564	1,779
Unallocated corporate expenses			(16,398)	(10,376)
Operating profit			<u>13,089</u>	<u>31,178</u>
By geographical locations:				
Hong Kong and Macau	103,903	120,656	25,288	37,333
Taiwan	49,122	26,899	3,635	2,442
	<u>153,025</u>	<u>147,555</u>	<u>28,923</u>	<u>39,775</u>
Other revenues			564	1,779
Unallocated corporate expenses			(16,398)	(10,376)
Operating profit			<u>13,089</u>	<u>31,178</u>

### 3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	4,599	4,309
Operating leases rentals on land and buildings	32,893	24,441
Unrealised loss on trading investments	–	1,222
Loss on disposals of fixed assets	52	220
	<u>52</u>	<u>220</u>

### 4. Taxation

	Six months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	1,329	3,986
Overseas taxation	1,248	621
Under provision in prior years	59	–
	<u>59</u>	<u>–</u>
	<u>2,636</u>	<u>4,607</u>

Hong Kong profits tax has been provided for the period at the rate of 16% on the estimated assessable profit, after setting off available tax losses brought forward from prior year. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

### 5. Dividends

At the Board meeting held on 17th June, 2002, the directors declared an interim dividend of 1.3 HK cents per share. This proposed interim dividend is not reflected as a dividend payable in the Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 30th September, 2002.

The Company was not yet incorporated as at 31st March, 2001. Dividend paid during the six months ended 31st March, 2001 represented interim dividend paid by the relevant subsidiaries of the Group to their then shareholders outside the Group.

## 6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$10,080,000 (2001: HK\$26,164,000) and the weighted average number of 276,812,308 (2001: 269,280,000) ordinary shares in issued during the six months ended 31st March, 2002. In determining the number of shares in issue, a total of 269,280,000 shares issued on the establishment of the Company and the Reorganisation of the Group as mentioned in the Prospectus were deemed to be issued since 1st October, 2000.

The diluted earnings per share is based on 276,852,252 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 39,944 ordinary shares, assuming that all the outstanding share options had been exercised at the beginning of the period or at the date of grant of the options, if later. There were no dilutive potential ordinary shares in existence during the six months ended 31st March, 2001 and accordingly, no diluted earnings per share have been presented.

## 7. Pledged of assets

At 31st March, 2002, the Group did not pledge any assets (2001: pledged of other investments HK\$2,013,000) for bank guarantees given in respect of the operating leases of certain shop premises.

## 8. Accounts receivable

Details of the ageing analysis are as follows:

	As at 31st March 2002 HK\$'000	As at 30th September 2001 HK\$'000
0 to 30 days	14,016	6,322
31 days to 60 days	79	2,114
Over 60 days	54	10
	<u>14,149</u>	<u>8,446</u>

Credit terms generally range from 30 days to 60 days.

## 9. Accounts payable

Details of the ageing analysis are as follows:

	As at 31st March 2002 HK\$'000	As at 30th September 2001 HK\$'000
0 to 30 days	2,804	7,178

## 10. Share capital

	<b>Authorised ordinary shares of HK\$0.1 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1st October, 2001	3,800,000	380,000
Increase in authorized ordinary share capital	996,200,000	99,620,000
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At 31st March, 2002	1,000,000,000	100,000,000
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	<b>Issued and fully paid ordinary shares of HK\$0.1 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st March, 2002	326,400,000	32,640,000
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The Company was incorporated with an authorised share capital of HK\$380,000 divided into 3,800,000 shares with a nominal value of HK\$0.1 each. On 15th October, 2001, one share of HK\$0.1 in the capital of the Company was allotted and issued at par.

On 23rd January, 2002, the authorized share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 shares of HK\$0.1 each.

On 23rd January, 2002, and as part of the Reorganisation, an aggregate of 29,999,999 shares of HK\$0.1 each, credited as fully paid, were issued and allotted by the Company.

On 8th March, 2002, a total of 239,280,000 shares of HK\$0.1 each were credited and issued as fully paid through a capitalization issue from the share premium account of the Company (note 11).

A total of 57,120,000 new shares of HK\$0.1 each were issued and offered for subscription at a price of HK\$1.08 per share upon listing of the Company's shares on the Main Board of the Stock Exchange on 11th March, 2002.

Share capital as at 30th September, 2001 had been stated as if the capitalisation issue has been taken place.

## 11. Reserves

	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	
At 1st October, 2000 as previously reported	(55)	(25,694 )	76,839	51,090	
Effect of adopting SSAP 9 (revised)	<u>—</u>	<u>—</u>	<u>8,910</u>	<u>8,910</u>	
At 1st October, 2000 as restated	(55)	(25,694 )	85,749	60,000	
Profit attributable to shareholders	—	—	52,010	52,010	
2000 final dividend	—	—	(8,910 )	(8,910)	
2001 interim dividends	—	—	(23,760 )	(23,760)	
Exchange differences	<u>(611)</u>	<u>—</u>	<u>—</u>	<u>(611 )</u>	
At 30th September, 2001	<u>(666)</u>	<u>(25,694 )</u>	<u>105,089</u>	<u>78,729</u>	
	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October, 2001	—	(666)	(25,694 )	105,089	78,729
Profit attributable to shareholders	—	—	—	10,080	10,080
Proceeds from Initial Public Offer	55,978	—	—	—	55,978
Initial Public Offer expenses	(10,100)	—	—	—	(10,100)
Capitalisation issue (note 10)	(23,928)	—	23,928	—	—
Exchange differences	<u>—</u>	<u>239</u>	<u>—</u>	<u>—</u>	<u>239</u>
At 31st March, 2002	<u>21,950</u>	<u>(427)</u>	<u>(1,766)</u>	<u>115,169</u>	<u>134,926</u>
Represented by:					
Reserves	21,950	(427)	(1,766)	110,926	130,683
Proposed interim dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,243</u>	<u>4,243</u>
	<u>21,950</u>	<u>(427)</u>	<u>(1,766)</u>	<u>115,169</u>	<u>134,926</u>

## 12. Commitments under operating leases

The Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	As at	As at
	31st March	30th September
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	40,307	35,712
Later than one year and not later than five years	26,986	31,035
	<b>67,293</b>	<b>66,747</b>

## 13. Contingent liabilities

The Group had no material contingent liabilities as at 31st March, 2002 (30th September, 2001: Nil).

# INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of 1.3 HK cents per share for the six months ended 31st March, 2002 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 11th July, 2002. The Register of Members will be closed from 9th July, 2002 to 11th July, 2002, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited of 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on 8th July, 2002. The relevant dividend warrants will be dispatched to shareholders on 15th July, 2002.

# LIQUIDITY AND FINANCIAL RESOURCES

At 31st March, 2002, the Group had net current assets of HK\$133.4 million (2001: HK\$67.9 million).

The Group generally finances its operation with internally generated resources. Net proceeds from the Initial Public Offer of the Company's share will primarily be used to support the Group's expansion in the China market and the spa business. As at 31st March, 2002, the Group maintains a strong financial position with approximately HK\$105 million cash reserves and had no indebtedness. Such cash reserves are principally placed on interest-bearing bank deposits.

In addition, the Group continues to generate strong recurring cash flows from its daily operation. Management believes this strong financial position enables the Group to get access to future development opportunities.