

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 (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 (revised) "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 30th September, 2002 except for the adoption of certain revised SSAPs which are effective for accounting periods commencing on or after 1st January, 2002 and are applicable to the Group.

The effect of adopting these revised Standards are set out below:

- (a) SSAP 1 (revised) : Presentation of financial statements
- SSAP 15 (revised) : Cash flow statements

Upon adoption of SSAP 1 (revised) and SSAP 15 (revised), certain presentational changes have been made in the Interim Accounts. There is no change in accounting policies upon adoption of these revised Standards.

- (b) SSAP 11 (revised) : Foreign currency translation

The effect on the accounts of the Group upon adoption of SSAP 11 (revised) is not material to the current and prior periods.

- (c) SSAP 34 (revised) : Employee benefits

The new Standard provides the recognition basis for employee benefits including short-term employee benefits, post-employment benefits, termination benefits and other long-term employment benefits. The effect on the accounts of the Group upon adoption of SSAP 34 (revised) is not material to the current and prior periods.

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 business segments is as follows:

	Turnover Six months ended 31st March, 2003 HK\$'000		Contribution to operating profit Six months ended 31st March, 2003 HK\$'000	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary reporting format – business segments				
Retail sales of skin-care products	122,480	142,480	4,865	29,188
Provision of beauty-salon, spa and other related services	42,650	10,545	15,845	(265)
	<u>165,130</u>	<u>153,025</u>	<u>20,710</u>	<u>28,923</u>
Other revenues			656	564
Unallocated corporate expenses			(17,292)	(16,398)
Operating profit			<u>4,074</u>	<u>13,089</u>

The geographical analysis of the Group's turnover for the period is as follows:

Secondary reporting format –
geographical segments

Hong Kong and Macau	101,024	103,903
Taiwan	42,816	49,122
PRC	21,290	–
	<u>165,130</u>	<u>153,025</u>

3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 31st March, 2003 HK\$'000		2002 HK\$'000	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	6,358	4,599		
Operating leases rentals on land and buildings	38,671	32,893		
Staff costs	41,225	34,472		
Unrealised loss on trading investments	49	–		
Loss on disposals of fixed assets	2	52		
	<u>86,295</u>	<u>71,916</u>		

4. Taxation

	Six months ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	770	1,329
Overseas taxation	925	1,248
Under provision in prior years	290	59
	1,985	2,636

Hong Kong profits tax has been provided for the period at the rate of 17.5% (2002: 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, 2003, the directors declared an interim dividend of 0.5 HK cent 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, 2003.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$2,167,000 (2002: HK\$10,080,000) and the weighted average number of 322,762,637 (2002: 276,812,308) ordinary shares in issued during the six months ended 31st March, 2003.

The diluted earnings per share is based on 322,913,587 (2002: 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 150,950 (2002: 39,944) ordinary shares, deemed to be issued at no consideration based on the assumption that all outstanding share options granted had been exercised at the beginning of the period or at the date of grant of the options, if later.

7. Accounts receivable

Details of the ageing analysis are as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
0 to 30 days	19,365	18,152
31 days to 60 days	4,024	875
Over 60 days	128	504
	<u>23,517</u>	<u>19,531</u>

Credit terms generally range from 30 days to 60 days.

8. Accounts payable

Details of the ageing analysis are as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
0 to 30 days	<u>4,857</u>	<u>8,239</u>

9. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st March, 2003	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1st October, 2002	326,400,000	32,640
Repurchase of shares	<u>(4,500,000)</u>	<u>(450)</u>
At 31st March, 2003	<u>321,900,000</u>	<u>32,190</u>

During the period, 4,500,000 ordinary shares of HK\$0.1 each were repurchased through The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.68 to HK\$0.83 per share for a total cash outlay of approximately HK\$3.3 million. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares was transferred from retained profits to the capital redemption reserve and the premium paid on the repurchased shares was charged against the share premium account.

10. Commitments

- (a) Capital commitments for property, plant and equipment

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
Contracted but not provided for	282	315

- (b) Commitments under operating leases

The Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
Not later than one year	27,733	34,766
Later than one year and not later than five years	24,593	19,916
	52,326	54,682

11. Contingent liabilities

The Group had no material contingent liabilities as at 31st March, 2003 (30th September, 2002: Nil).