

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 "HKSA").

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, 2003 except for the adoption of the SSAP 12 (revised) "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

The effect of adopting the revised accounting standard is set out below:

Deferred taxation is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening reserves at 1st October, 2002 and 2003 have been increased by approximately HK\$629,000 and HK\$3,316,000 respectively, which represent the unprovided net deferred tax assets. These changes had resulted in a decrease in the profit attributable to shareholders for the six months ended 31st March, 2003 by approximately HK\$246,000 and an increase in deferred tax assets at 30th September, 2003 by approximately HK\$3,436,000.

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, | | Contribution to operating profit Six months ended 31st March, | |
|--|---|----------|--|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Primary reporting format – business segments | | | | |
| Retail sales of skin-care products | 136,636 | 122,480 | 10,727 | 4,865 |
| Provision of beauty-salon, spa and other related services | 45,305 | 42,650 | 4,642 | 15,845 |
| | 181,941 | 165,130 | 15,369 | 20,710 |
| Other revenues | | | 2,860 | 656 |
| Unallocated corporate expenses | | | (15,508) | (17,292) |
| Operating profit | | | 2,721 | 4,074 |

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

| | Turnover Six months ended 31st March, | |
|---|---|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Secondary reporting format – geographical segments | | |
| Hong Kong and Macau | 100,506 | 101,024 |
| Taiwan | 38,109 | 42,816 |
| China | 42,997 | 21,290 |
| Singapore | 329 | – |
| | 181,941 | 165,130 |

3. Operating profit

Operating profit is stated after crediting and charging the following:

| | | Six months ended 31st March, | |
|--|--|---------------------------------|----------|
| | | 2004 | 2003 |
| | | HK\$'000 | HK\$'000 |
| Crediting | | | |
| Gain on disposal of fixed assets | | 151 | – |
| Charging | | | |
| Amortization of intangible assets | | 583 | 483 |
| Depreciation | | 8,448 | 6,358 |
| Loss on disposals of fixed assets | | – | 2 |
| Loss on disposals of trading investments | | 61 | – |
| Staff costs | | 47,304 | 41,225 |

4. Taxation

| | | Six months ended 31st March, | |
|--------------------------------|--|---------------------------------|------------------|
| | | 2004 | Restated 2003 |
| | | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | | 196 | 770 |
| Overseas taxation | | 1,010 | 925 |
| Under provision in prior years | | – | 290 |
| Deferred taxation | | – | 246 |
| | | 1,206 | 2,231 |

Hong Kong profits tax has been provided for the period at the rate of 17.5% (2003: 17.5%) 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 16th June, 2004, the directors declared an interim dividend of 0.5 HK cent per share (2003: 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, 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$1,343,000 (2003: HK\$1,921,000, restated) and the weighted average number of 325,935,497 (2003: 322,762,637) ordinary shares in issue during the six months ended 31st March, 2004.

No diluted earnings per share is calculated for the period ended 31st March, 2004 since the exercise prices of the Company's outstanding options were higher than the average fair value per share of the Company during the period and the potential ordinary shares would have no dilutive effect.

The calculation of the diluted earnings per share for the period ended 31st March, 2003 is based on 322,913,587 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 150,950 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. Fixed assets

During the period ended 31st March 2004, the Group incurred capital expenditure of approximately HK\$12,000,000. No significant disposal of fixed assets was made during the period.

8. Accounts receivable

Details of the ageing analysis are as follows:

| | As at 31st March, | As at 30th September, |
|--------------------|----------------------|--------------------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 23,877 | 21,048 |
| 31 days to 60 days | 834 | 729 |
| 61 days to 90 days | 315 | 1,012 |
| Over 90 days | 94 | 250 |
| | 25,120 | 23,039 |

Credit terms generally range from 30 days to 90 days.

9. Accounts payable

Details of the ageing analysis are as follows:

| | As at 31st March, | As at 30th September, |
|--------------|------------------------------|--------------------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 6,234 | 3,943 |

10. Share capital

| Authorised ordinary shares of HK\$0.1 each | | |
|--|---------------|----------|
| | No. of shares | HK\$'000 |
| At 31st March, 2004 | 1,000,000,000 | 100,000 |
| Issued and fully paid ordinary shares of HK\$0.1 each | | |
| | No. of shares | HK\$'000 |
| At 1st October, 2003 | 321,900,000 | 32,190 |
| Placing of new shares | 15,000,000 | 1,500 |
| Issue of new shares pursuant to the Company's Share Option Scheme | 2,216,000 | 222 |
| At 31st March, 2004 | 339,116,000 | 33,912 |

During the period, 15,000,000 ordinary shares of HK\$0.1 each were issued at HK\$0.5 per share through a private placing to independent third parties. Proceeds from the placing were fully used up for general working capital purposes.

During the same period, a total of 2,216,000 ordinary shares of HK\$0.1 each were also issued at the applicable option prices pursuant to the Company's share option scheme adopted on 23rd January, 2002 (the "Share Option Scheme").

11. Commitments

(a) Capital commitments for fixed assets

| | As at 31st March, 2004 | As at 30th September, 2003 |
|---------------------------------|------------------------------|----------------------------------|
| | HK\$'000 | HK\$'000 |
| Contracted but not provided for | 30,780 | – |

The commitments mainly represent the purchase of certain retail properties of which the completion date was beyond 31st March, 2004.

(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, 2004 | As at 30th September, 2003 |
|---|------------------------------|----------------------------------|
| | HK\$'000 | HK\$'000 |
| Not later than one year | 33,909 | 34,421 |
| Later than one year and not later than five years | 21,110 | 27,012 |
| | 55,019 | 61,433 |

12. Contingent liabilities

The Group had no material contingent liabilities as at 31st March, 2004 (30th September, 2003: Nil).