Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") 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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The Group had not appointed the auditors to carry out any review of the comparative interim financial statements for the six months ended 31st March 2005 in accordance with SAS 700 in respect of the comparative figures.

The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September 2005.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 30th September 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are effective for accounting periods commencing on or after 1st January 2005.

The Interim Financial Statements have been prepared in accordance with those HKFRSs and HKASs and interpretations issued and effective as at the time of preparing this information.

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

Effect of adopting new HKFRSs and HKASs

For the six months ended 31st March 2006, the Group adopted the new/revised HKFRSs and HKASs below, which are relevant to its operations. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 33, 36, 38, HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures;

– HKASs 2, 7, 8, 10, 16, 17, 23, 27, 33, 36, HKAS-Int 15 and HKFRS 3 had no material effect on the Group's accounting policies;

– HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements;

- HKAS 24 has affected the identification of related parties and some other related-party disclosures; and
- The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment was resulted from this reassessment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30th September 2005, the provision of share options to employees did not result in an expense in the income statements. Effective 1st October 2005, the Group expenses the cost of share options in the income statement. The Group did not have any share options which were granted after 7th November 2002 and had not yet vested on 1st October 2005. Therefore, no adjustment was made to the Group's financial statements on the costs, if any, of these share options.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application except:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 39 – the standard does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to trading investments. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and considered immaterial;

– HKAS-Int 15 – the standard does not require the recognition of incentives for leases beginning before 1st October 2005; and

– HKFRS 2 – restrospective application only applies to all equity instruments granted after 7th November 2002 and not vested at 1st October 2005.

New Accounting Policies

The accounting policies used for the Interim Financial Statements for the six months ended 31st March 2006 are the same as those set out in note 2 to the financial statements for the year ended 30th September 2005 as contained in the Company's 2005 Annual Report except for the following:

(I) FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period-end applicable exchange rates are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities at each balance sheet are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates prevailing during the relevant period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other foreign currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the exchange differences are recognized in the income statement as part of the gain or loss on sale.

(II) PROPERTY, PLANT AND EQUIPMENT

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(III) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(IV) INVESTMENTS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. The initial classification will be re-evaluated at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of sales in the short term or if so designated by the management. Derivatives are also categorised here if they are held for trading unless they are designated as tools for hedging. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss category are included in the income statement in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in accounts receivable in the balance sheet (Note 9).

(V) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recongnized initially at fair value and subsequently measured at amortized costs using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interests rate. The amount of the provision is recognized in the income statement.

(VI) BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(VII) SHARE-BASED COMPENSATION

The Group operates an equity-settled, share-based compensation plan. The fair value of the options granted is recongnized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are however included in the assumptions on the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(VIII) INTEREST INCOME

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

2. TURNOVER AND 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:

(a) Primary reporting format – business segments

	Retailing		Services		Elimination		Group	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Sales to external customers	**167,930**	144,936	**75,653**	54,649	**–**	–	**243,583**	199,585
Inter-segment sales	**10,445**	6,794	**–**	–	**(10,445)**	(6,794)	**–**	–
Total	**178,375**	151,730	**75,653**	54,649	**(10,445)**	(6,794)	**243,583**	199,585
Segment results	**16,116**	14,297	**11,461**	5,313	**–**	–	**27,577**	19,610
Other revenues							**1,647**	1,287
Unallocated corporate expenses							**(20,509)**	(18,290)
Operating profit							**8,715**	2,607

(b) Secondary reporting format – geographical segments

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

	Turnover Six months ended 31st March	
	2006 HK$'000	2005 HK$'000
Hong Kong and Macau	**133,285**	104,228
China	**71,466**	52,139
Taiwan	**34,232**	39,753
Singapore	**4,600**	3,465
	243,583	199,585

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 31st March	
	2006 HK$'000	2005 HK$'000
Crediting		
Gain on disposals of property, plant and equipment	**–**	16
Gain on disposals of trading investments	**–**	580
Gain on redemption of other investment	**–**	34
Gross rental income from investment properties	**1,035**	860
Charging		
Amortization of intangible assets	**700**	637
Depreciation	**9,342**	7,958
Loss on disposals of property, plant and equipment	**71**	–
Staff costs	**74,899**	61,967
Interest expenses on bank loan	**421**	203

4. TAXATION

	Six months ended 31st March	
	2006 HK$'000	2005 HK$'000
Hong Kong profits tax	**1,106**	129
Overseas taxation	**1,162**	1,560
Overprovision in prior years	**(500)**	–
Deferred taxation (Note 14)	**347**	3,361
	2,115	5,050

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period, 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 territories in which the Group operates.

5. DIVIDENDS

At the Board meeting held on 20th June 2006, the directors declared an interim dividend of 2.0 HK cents per share (2005: 1.0 HK cent per share) and a special dividend of 1.0 HK cent per share (2005: 2.5 HK cents per share) collectively the "Interim Dividend"). This proposed Interim Dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30th September 2006.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK$6,179,000 (2005: HK$12,601,000) and the weighted average number of 342,116,000 (2005: 342,116,000) ordinary shares in issue during the six months ended 31st March 2006.

No diluted earnings per share is calculated for the period ended 31st March 2006 (2005: Nil) 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.

7. CAPITAL EXPENDITURE

During the period ended 31st March 2006, the Group incurred capital expenditure of approximately HK$7,578,000 for property, plant and equipment and certain intangible assets (30th September 2005: HK$33,734,000). No significant disposal of property, plant and equipment was made during the period.

8. RENTAL DEPOSITS AND PREPAYMENTS

Rental deposits are carried at amortized cost using the effective interest rate of 2% per annum. As at 31st March 2006, the carrying amounts of rental deposits approximate their fair values.

9. ACCOUNTS RECEIVABLE

Details of the ageing analysis are as follows:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
0 to 30 days	**31,849**	27,349
31 days to 60 days	**2,029**	2,564
61 days to 90 days	**618**	527
Over 90 days	**828**	1,311
	35,324	31,751

Credit terms generally range from 30 days to 90 days.

The fair value of accounts receivable approximate its carrying amount.

10. ACCOUNTS PAYABLE

Details of the ageing analysis are as follows:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
0 to 30 days	**6,656**	11,330

The fair value of accounts payable approximate its carrying amount.

11. LONG-TERM BANK LOAN

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Total of long-term bank loan – secured	9,898	16,737
Current portion of long-term bank loan	(1,950)	(1,950)
	7,948	14,787

At 31st March 2006, the Group's long-term bank loan was repayable as follows:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Within one year	1,950	1,950
In the second year	1,950	1,950
In the third to fifth year	5,850	5,850
After the fifth year	148	6,987
	9,898	16,737
Current portion of long-term bank loan	(1,950)	(1,950)
	7,948	14,787

The long-term bank loan was secured by certain investment properties of the Group.

The average effective interest rates at the balance sheet date was 5.5% (2005: 3.4%).

The carrying amounts of long-term bank loan approximately their fair values.

12. SHARE CAPITAL

	Authorised ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31st March 2006	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 2005 and 31st March 2006	342,116,000	34,212

13. SHARE OPTIONS

The Company's share option scheme (the "Share Option Scheme") was adopted on 23rd January 2002. The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the Share Option Scheme, the Board of Directors may, on or before 22nd January 2012, at its discretion, offer to grant options at an option price of HK$1.00 to any employees, directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisor (professional or otherwise) or consultant, distributors, suppliers, agents, customers, partners, joint venture partners, promoter, service provider to subscribe for shares of the Company, representing (when aggregated with options granted under any other scheme) initially not more than 10% of the shares in issue as at the date of the listing of the shares. The subscription price shall be the higher of the average of the closing prices of the share of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of options and the nominal value of the shares. The maximum aggregate number of shares issued and to be issued on the exercise of options and in respect of which options may be granted under the Share Option Scheme may not exceed 30% of the total number of shares in issue from time to time excluding any shares issued on the exercise of options.

The movements in the number of share options granted, exercised and lapsed pursuant to the Share Option Scheme during the period were as follows:–

Category	Date of grant	Exercise period	Exercise price per share HK$	As at 1st October 2005	Granted	Exercised	Cancelled/ Lapsed	As at 31st March 2006
Directors	30th August 2002	28th February 2003 – 29th August 2007	0.52	5,100,000	–	–	–	5,100,000
	28th January 2004	3rd May 2004 – 31st January 2009	0.42	10,200,000	–	–	–	10,200,000
				15,300,000	–	–	–	15,300,000
Supplier	11th March 2002	11th March 2002 – 10th March 2012	1.18	3,264,000	–	–	–	3,264,000
	12th March 2003	12th March 2003 – 11th March 2013	0.54	976,000	–	–	–	976,000
				4,240,000	–	–	–	4,240,000
Employees (in aggregate)	26th April 2002	26th October 2002 – 25th April 2007	1.67	750,000	–	–	–	750,000
	26th April 2002	26th April 2003 – 25th April 2007	1.67	750,000	–	–	–	750,000
	30th August 2002	28th February 2003 – 29th August 2007	0.52	1,484,000	–	–	–	1,484,000
	30th August 2002	31st August 2003 – 29th August 2007	0.52	2,560,000	–	–	–	2,560,000
	30th August 2002	29th February 2004 – 29th August 2007	0.52	1,560,000	–	–	–	1,560,000
	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,160,000	–	–	–	1,160,000
	28th January 2004	1st November 2004 – 31st January 2009	0.42	1,160,000	–	–	–	1,160,000
	28th January 2004	2nd May 2005 – 31st January 2009	0.42	860,000	–	–	–	860,000
				10,284,000	–	–	–	10,284,000

As at 31st March 2006, the weighted average exercise price of share options outstanding is HK$0.61 per share (30th September 2005: HK$0.61 per share).

14. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement in deferred tax assets was as follows:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Beginning of period/year	**2,753**	4,266
Charged to income statement	**(900)**	(1,529)
Exchange differences	**–**	16
End of period/year	**1,853**	2,753

The movement in deferred tax liabilities was as follows:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Beginning of period/year	**(2,517)**	(569)
Credited/(charged) to income statement	**553**	(1,948)
End of period/year	**(1,964)**	(2,517)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Deferred tax assets	**1,853**	2,753
Deferred tax liabilities	**(1,964)**	(2,517)
	(111)	236

15. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	As at 31st March 2006 HK$'000	As at 30th September 2005 HK$'000
Contracted but not provided for	**1,236**	230

(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 2006 HK$'000	As at 30th September 2005 HK$'000
Not later than one year	**38,500**	40,120
Later than one year and not later than five years	**24,465**	31,621
	62,965	71,741

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31st March 2006 (30th September 2005: Nil).

17. RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	Six months ended 31st March	
	2006 HK$'000	2005 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	**5,109**	4,614
Bonuses	**–**	2,000
Retirement benefit costs	**30**	30
	5,139	6,644