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If you have sold or transferred all your shares in Sau San Tong Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8200)

MAJOR TRANSACTION

**ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT
VENTURE IN SHANGHAI OF THE PEOPLE'S REPUBLIC OF CHINA**

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities trade on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies on GEM are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	means the board of Directors of the Company
“Company”	means Sau San Tong Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on GEM
“Director(s)”	means the director(s) of the Company
“Establishment”	means the establishment of a sino-foreign co-operative joint venture pursuant to the Joint Venture Agreement
“GEM”	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM
“Group”	means the Company and its subsidiaries (including Shanghai P&G Distribution to be established)
“Guangzhou Procter & Gamble Company Limited”	means the sino-foreign joint venture company of The Procter & Gamble Company in Mainland China
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	means a sino-foreign co-operative joint venture agreement entered into between Smartime International Investment Limited, Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited on 4 September 2004 for the establishment of Shanghai P&G Distribution
“Latest Practicable Date”	means 14 October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Mainland China”	means the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“PRC”	means the People’s Republic of China
“P&G Products”	means the products manufactured and marketed by The Procter & Gamble Company and its global subsidiaries and related companies
“Smartime International Investment Limited”	means Smartime International Investment Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

DEFINITIONS

“Skytop International Development Inc.”	means Skytop International Development Inc., an independent private investment company with limited liability incorporated in the British Virgin Islands and which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules. It is 100% owned by Mr. Weng Zhi Gang who is not a business partner of the Company
“Shanghai Dong Fang P&G Co., Limited”	means Shanghai Dong Fang P&G Co., Limited, a retailer with limited liability incorporated in the PRC and which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules. It is 40% owned by 龍頭股份有限公司, a company with limited liability incorporated in the PRC, 34% owned by its Staff Union and 26% owned by its management. All of them are not business partners of the Company
“Shanghai P&G Distribution”	means Shanghai Dong Fang P&G Distribution Company Limited 上海東紡寶潔產品銷售有限公司, a sino-foreign co-operative joint venture enterprise with limited liability to be established in Mainland China pursuant to the Joint Venture Agreement
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“US\$”	means United States Dollars, the lawful currency of the United States of America

Note: All amounts in US\$ in this circular have been converted to HK\$ using the exchange rate of US\$1 = HK\$7.8



SAU SAN TONG HOLDINGS LIMITED

修身堂控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8200)

Executive Directors:

Miss Cheung Yuk Shan, Shirley
Mr. Cheung Ka Heng, Frankie
Mr. Ho, Francis Man Kwong

Independent Non-Executive Directors:

Mr. Hong Po Kui, Martin
Mr. Li Kuo Hsing
Mr. To Kon Hung, Terence
Mr. Ho Yiu Ming

Registered Office:

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Cricket Square
Hutchins Drive
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Grand Cayman
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Principal Place of Business:

6th Floor, Prestige Tower
Nos. 23–25 Nathan Road
Tsimshatsui
Kowloon, Hong Kong

15 October 2004

To shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION

**ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT
VENTURE IN SHANGHAI OF THE PEOPLE'S REPUBLIC OF CHINA**

INTRODUCTION

The Board would like to refer you to the announcement of the Company dated 10 September 2004 in respect of the establishment of a sino-foreign co-operative joint venture in Shanghai of the People's Republic of China. The purpose of this circular is to give you further information in relation to the matters set out in the aforementioned announcement.

ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT VENTURE

Pursuant to the GEM Listing Rules, the Board is pleased to announce that on 4 September 2004, Smartime International Investment Limited, a wholly-owned subsidiary of the Company, via the introduction from a merchant who is not a business partner of the Company and is independent of the Company and connected persons of the Company as defined in the GEM Listing Rules, entered into a Joint Venture Agreement with Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited (which together with their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company as defined in the GEM Listing Rules) whereby Smartime International Investment Limited, Skytop International Development Inc. and Shanghai Dong Fang P&G Co., Limited have agreed to establish, subject to relevant approvals from the PRC regulatory authorities namely Ministry of Commerce (商務部) and Shanghai Industry & Commerce Administration Bureau (上海市工商行政管理局) which may be subject to such conditions as they may consider appropriate, an application of a distribution license and a sino-foreign co-operative joint venture business in Mainland China on terms outlined as follows:

- (1) The joint venture would be tentatively named as “Shanghai Dong Fang P&G Distribution Company Limited 上海東紡寶潔產品銷售有限公司” (“Shanghai P&G Distribution”)
- (2) The interests and profit-sharing percentage in Shanghai P&G Distribution for each party are as follows:
 - (i) Smartime International Investment Limited: 51%
 - (ii) Skytop International Development Inc.: 39%
 - (iii) Shanghai Dong Fang P&G Co., Limited: 10%

Smartime International Investment Limited is an investment holding company. It is incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company.

Skytop International Development Inc. is an independent private investment company with limited liability incorporated in the British Virgin Islands.

Shanghai Dong Fang P&G Co., Limited is a retailer incorporated in Mainland China with extensive distribution experience in the eastern part of Mainland China. It has a contractual relationship with Guangzhou Procter & Gamble Company Limited, the sino-foreign joint venture company of The Procter & Gamble Company in Mainland China, under which Shanghai Dong Fang P&G Co., Limited has the right to distribute P&G products in Shanghai and the eastern part of Mainland China. The products distributed by Shanghai Dong Fang P&G Co., Limited included but not limited to (i) house and home products such as household cleaners, laundry and paper products; (ii) hair care and personal cleansing products and (iii) skin care and beauty products.

The Directors have conducted feasibility studies on the joint venture partners including conducted a reference check by the Company’s business partners in Shanghai, paid company visit to Shanghai Dong Fang P&G Co., Limited, held discussions with the management of Shanghai Dong Fang P&G Co., Limited, reviewed the company secretarial documents and discussed with the owner of Skytop International Development Inc..

LETTER FROM THE BOARD

Since Smartime International Investment Limited is a wholly owned subsidiary of the Company and holds 51% interest in Shanghai P&G Distribution, in accordance with the principal accounting policies of the Group, the results of Shanghai P&G Distribution will be consolidated into the Group's financial statements upon the completion of Establishment and commencement of business operation.

- (3) The total investment for Shanghai P&G Distribution would be HK\$45,000,000. The registered capital for Shanghai P&G Distribution would be US\$5,000,000 (approximately HK\$39,000,000); of which
- (i) US\$2,550,000 (approximately HK\$19,890,000) would be contributed in cash by Smartime International Investment Limited;
 - (ii) US\$1,950,000 (approximately HK\$15,210,000) would be contributed in cash by Skytop International Development Inc.; and
 - (iii) US\$500,000 (approximately HK\$3,900,000) would be contributed in cash by Shanghai Dong Fang P&G Co., Limited.

The capital contributable by Smartime International Investment Limited will be funded by internal resources of the Group. As at 30 June 2004, the Group's cash and bank balances were approximately HK\$61,931,000. As at 30 June 2004, out of the HK\$17,500,000 listing proceeds, HK\$12,499,000 was utilized for actual business activities pursuant to the business objectives set out in the prospectus of the Company dated 10 November 2003 and a balance of HK\$5,001,000 was remained from the listing proceeds. The Directors believe that the Group has sufficient internal resources to complete the Establishment.

- (4) Under the Joint Venture Agreement, Shanghai P&G Distribution intends to continue the same contractual relationship with Guangzhou Procter & Gamble Company Limited after the completion of Establishment, and under which Shanghai P&G Distribution can distribute P&G products. Shanghai P&G Distribution will be engaged in the retailing and distributing of P&G products including cosmetics and skin care products such as SKII through opening new stores (SKII Specialists) or counters at department stores in the eastern part of Mainland China (included but not limited to Shanghai). Shanghai Dong Fang P&G Co., Limited is not entitled to any introduction fee from the Establishment.

P&G Products to be distributed by Shanghai P&G Distribution included but not limited to: (i) personal and beauty products including cosmetics and skin care such as SKII and (ii) health and wellness products.

In case if all three parties have no intention to continue with the operation of the business, an independent auditor will be appointed to audit the Establishment's assets, which will be apportioned to the three parties in respect to their relevant shareholding.

- (5) The board of directors of Shanghai P&G Distribution would consist of five (5) directors, of which three (3) would be nominated by Smartime International Investment Limited, one (1) would be nominated by Skytop International Development Inc. and another one (1) would be nominated by Shanghai Dong Fang P&G Co., Limited.

LETTER FROM THE BOARD

- (6) The chairman and the deputy chairman of the board of Shanghai P&G Distribution would be nominated by Smartime International Investment Limited whereas the general manager and the representative of the Shanghai P&G Distribution would be nominated by Skytop International Development Inc..

As at the Latest Practicable Date, the approvals from the PRC regulatory authorities have not yet been received.

REASONS FOR THE ESTABLISHMENT

The Group is principally engaged in the health and beauty business of (i) the sale of a range of health and beauty products and (ii) the provision of a wide range of health and beauty services with emphasis on weight management at its slimming centres. As stated in the prospectus of the Company dated 10 November 2003, the Group intended to set up counters in a personal care products retailer chain in Hong Kong and expand this business to other markets. The Establishment is in line with this objective. The Directors believe that the proven records of the Group in the health and beauty business in Hong Kong leveraged with the distribution experience of Shanghai Dong Fang P&G Co., Limited in the eastern part of Mainland China can generate a synergy effect which would create substantial value to the shareholders of the Company.

FINANCIAL EFFECTS OF THE ESTABLISHMENT ON THE GROUP

Net asset and net tangible asset

The Group's audited consolidated net assets and audited consolidated net tangible assets amounted to HK\$57,413,000 and HK\$56,974,000 respectively as at 31 March 2004. The Group's unaudited consolidated net assets and unaudited consolidated net tangible assets amounted to HK\$71,788,000 million and HK\$71,383,000 respectively as at 30 June 2004.

Shanghai P&G Distribution would be accounted for as a subsidiary of the Group as the Group will control the majority of the board of directors and will be able to exercise effective control over the day to day financial and operating decisions of Shanghai P&G Distribution. Accordingly, the Establishment and payment of registered capital of US\$2,550,000 (approximately HK\$19,890,000) by the Group would not be expected to have any material impact on the Group's net assets or the Group's net tangible assets on the basis that Shanghai P&G Distribution will be consolidated as a subsidiary of the Group.

Earnings

The Group recorded an audited consolidated net profit attributable to shareholders of approximately HK\$27,426,000 for the year ended 31 March 2004 and an unaudited consolidated net profit attributable to shareholders of approximately HK\$14,375,000 for the three months ended 30 June 2004. Since the Group holds 51% interest in Shanghai P&G Distribution, in accordance with the principal accounting policies of the Group, the results of Shanghai P&G Distribution will be consolidated into the Group's financial statements upon the completion of Establishment and commencement of business operation. The Group considers that the Establishment would increase the turnover of the Group.

As Shanghai P&G Distribution has not yet been established, no audited financial statements or management accounts of Shanghai P&G Distribution have been prepared up to the date of this circular. Accordingly, the requirement per Rule 19.67(4) of the GEM Listing Rules is not applicable.

LETTER FROM THE BOARD

GENERAL

The total assets attributable to the Establishment constitute approximately 58.30% of the total assets of the Group. Therefore the Establishment constitutes a major transaction of the Company and is subject to the shareholders' approval in accordance with Chapter 19 of the GEM Listing Rules. However, pursuant to Rule 19.44 of the GEM Listing Rules, since no shareholder of the Company has any interests in the Establishment, no shareholder of the Company is required to abstain from voting if the Company is to convene a general meeting for the approval of the transaction; and a written shareholders' approval has been obtained by the Company from Miss Cheung Yuk Shan, Shirley, the ultimate controlling shareholder, who as at the date of this circular holds 373,020,000 shares of HK\$0.01 each in the capital of the Company representing approximately 57.98% of the nominal value of the securities giving the right to attend and vote at the meeting to approve the transaction, thus no shareholders' meeting of the Company will be held.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices of this circular.

By Order of the Board
Sau San Tong Holdings Limited
Cheung Yuk Shan, Shirley
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated income statements and the consolidated balance sheets of the Group for the last three financial years extracted from the prospectus of the Company dated 10 November 2003 and the annual report of the Group for the year ended 31 March 2004 are set out below:

(a)

	Year ended 31 March		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Turnover	135,653	58,945	27,106
Cost of sales	<u>(25,293)</u>	<u>(9,615)</u>	<u>(5,992)</u>
Gross profit	110,360	49,330	21,114
Other revenue	991	101	47
Selling and distribution expenses	(58,733)	(33,056)	(10,260)
Administrative expenses	<u>(23,494)</u>	<u>(11,672)</u>	<u>(5,318)</u>
Profit from operations	29,124	4,703	5,583
Finance costs	(133)	(90)	(22)
Gain on disposal of interest in a subsidiary company	<u>3,775</u>	<u>—</u>	<u>—</u>
Profit before taxation	32,766	4,613	5,561
Taxation	<u>(5,222)</u>	<u>(958)</u>	<u>(950)</u>
Profit after taxation	27,544	3,655	4,611
Minority interests	<u>(118)</u>	<u>(734)</u>	<u>(337)</u>
Profit attributable to shareholders	<u>27,426</u>	<u>2,921</u>	<u>4,274</u>
Dividends	<u>10,666</u>	<u>4,300</u>	<u>—</u>
Earnings per share			
— Basic	<u>5.18 cents</u>	<u>0.55 cents</u>	<u>0.81 cents</u>
— Diluted	<u>4.86 cents</u>	<u>—</u>	<u>—</u>

(b)

	As at 31 March		
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Goodwill	439	581	—
Fixed assets	<u>13,531</u>	<u>6,786</u>	<u>2,167</u>
Total non-current assets	<u><u>13,970</u></u>	<u><u>7,367</u></u>	<u><u>2,167</u></u>
Current assets			
Inventories	210	—	—
Due from a director	—	—	407
Due from a related company	—	15	1,178
Due from a minority shareholder of a subsidiary	3,774	—	—
Prepayments, deposits and other receivables	17,259	4,738	1,872
Trade receivables	7,670	2,422	3,462
Pledged fixed deposits	—	227	226
Cash and bank balances	<u>34,305</u>	<u>4,284</u>	<u>1,338</u>
Total current assets	<u><u>63,218</u></u>	<u><u>11,686</u></u>	<u><u>8,483</u></u>
Current liabilities			
Due to a director	—	(264)	—
Short-term bank loan	—	(921)	—
Current portion of obligations under finance lease	(32)	(755)	(402)
Trade payables	(3,414)	(146)	(352)
Deferred income	(7,162)	(2,356)	(333)
Other payables and accruals	(3,743)	(2,933)	(1,898)
Taxation payable	<u>(4,789)</u>	<u>(888)</u>	<u>(1,300)</u>
Total current liabilities	<u><u>(19,140)</u></u>	<u><u>(8,263)</u></u>	<u><u>(4,285)</u></u>
Net current assets	<u>44,078</u>	<u>3,423</u>	<u>4,198</u>
Total assets less current liabilities	58,048	10,790	6,365
Non-current liabilities			
Obligations under finance leases	—	(422)	(230)
Deferred taxation	<u>(222)</u>	<u>(360)</u>	<u>(90)</u>
Minority interests	<u>57,826</u> <u>(413)</u>	<u>10,008</u> <u>(296)</u>	<u>6,045</u> <u>(339)</u>
Net assets	<u><u>57,413</u></u>	<u><u>9,712</u></u>	<u><u>5,706</u></u>
Shareholders' equity	<u><u>57,413</u></u>	<u><u>9,712</u></u>	<u><u>5,706</u></u>

- (c) The following is the full text of the audited consolidated accounts of the Group for the year ended 31st March 2004. Reference to page number is of such audited consolidated accounts and capitalised terms used herein are defined as in such audited consolidated accounts.

Auditors' Report



Charles Chan, Ip & Fung CPA Ltd.

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Causeway Bay, Hong Kong
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To the Shareholders of
Sau San Tong Holdings (Cayman Islands) Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 43 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the profit and cash flows of the Group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

Hong Kong, 21 June 2004

Chan Wai Dune, Charles

Practising Certificate Number P00712

Consolidated Income Statement*For the year ended 31 March 2004*

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	4	135,653	58,945
Cost of sales		<u>(25,293)</u>	<u>(9,615)</u>
Gross profit		110,360	49,330
Other revenue	4	991	101
Selling and distribution expenses		(58,733)	(33,056)
General and administrative expenses		<u>(23,494)</u>	<u>(11,672)</u>
Profit from operations		29,124	4,703
Finance costs		(133)	(90)
Gain on disposal of interest in a subsidiary company	27(b)	<u>3,775</u>	<u>—</u>
Profit before taxation	6	32,766	4,613
Taxation	8	<u>(5,222)</u>	<u>(958)</u>
Profit after taxation		27,544	3,655
Minority interests		<u>(118)</u>	<u>(734)</u>
Profit attributable to shareholders	9	<u>27,426</u>	<u>2,921</u>
Dividends	10	<u>10,666</u>	<u>4,300</u>
Earnings per share			
— Basic	11	<u>5.18 cents</u>	<u>0.55 cents</u>
— Diluted	11	<u>4.86 cents</u>	<u>—</u>

Balance Sheets*As at 31 March 2004*

	Note	Consolidated		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Non-current assets					
Goodwill	12	439	581	—	—
Fixed assets	13	13,531	6,786	—	—
Investment in subsidiaries	14	—	—	3,660	—
Total non-current assets		<u>13,970</u>	<u>7,367</u>	<u>3,660</u>	<u>—</u>
Current assets					
Inventories	15	210	—	—	—
Due from subsidiaries		—	—	6,087	286
Due from a related company	16	—	15	—	—
Due from a minority shareholder of a subsidiary	17	3,774	—	—	—
Prepayments, deposits and other receivables		17,259	4,738	332	904
Trade receivables	18	7,670	2,422	—	—
Pledged fixed deposits		—	227	—	—
Cash and bank balances		<u>34,305</u>	<u>4,284</u>	<u>21,605</u>	<u>—</u>
Total current assets		<u>63,218</u>	<u>11,686</u>	<u>28,024</u>	<u>1,190</u>
Current liabilities					
Due to a director	19	—	(264)	—	(500)
Due to a subsidiary		—	—	(1,955)	(408)
Short-term bank loan	20	—	(921)	—	—
Current portion of obligations under finance lease	21	(32)	(755)	—	—
Trade payables	22	(3,414)	(146)	—	—
Deferred income		(7,162)	(2,356)	—	—
Other payables and accruals		(3,743)	(2,933)	(118)	—
Taxation payable		<u>(4,789)</u>	<u>(888)</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>(19,140)</u>	<u>(8,263)</u>	<u>(2,073)</u>	<u>(908)</u>

	<i>Note</i>	Consolidated		Company	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets		<u>44,078</u>	<u>3,423</u>	<u>25,951</u>	<u>282</u>
Total assets less current liabilities		58,048	10,790	29,611	282
Non-current liabilities					
Obligations under finance leases	21	—	(422)	—	—
Deferred taxation	23	<u>(222)</u>	<u>(360)</u>	<u>—</u>	<u>—</u>
		57,826	10,008	29,611	282
Minority interests		<u>(413)</u>	<u>(296)</u>	<u>—</u>	<u>—</u>
Net assets		<u><u>57,413</u></u>	<u><u>9,712</u></u>	<u><u>29,611</u></u>	<u><u>282</u></u>
Capital and reserves					
Share capital	24	5,370	500	5,370	500
Reserves	26	<u>52,043</u>	<u>9,212</u>	<u>24,241</u>	<u>(218)</u>
Shareholders' equity		<u><u>57,413</u></u>	<u><u>9,712</u></u>	<u><u>29,611</u></u>	<u><u>282</u></u>

Consolidated Statement of Changes In Equity*For the year ended 31 March 2004*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2002	10	—	—	5,696	5,706
Net profit attributable to shareholders	—	—	—	2,921	2,921
Issue of ordinary shares	500	—	—	—	500
Share swap in accordance with the Group Reorganization	(10)	—	—	—	(10)
Share premium	—	4,895	—	—	4,895
Dividends	—	—	—	(4,300)	(4,300)
Balance as at 31 March 2003 and 1 April 2003	500	4,895	—	4,317	9,712
Effect of the Reorganization	—	(4,895)	4,895	—	—
Share issued in acquiring subsidiaries	3,856	4,704	(8,547)	—	13
New issue of shares	924	22,176	—	—	23,100
Share issuance expenses	—	(6,212)	—	—	(6,212)
Exercise of share options	90	4,284	—	—	4,374
Net profit attributable to shareholders	—	—	—	27,426	27,426
Dividends	—	—	—	(1,000)	(1,000)
Balance as at 31 March 2004	<u>5,370</u>	<u>24,952</u>	<u>(3,652)</u>	<u>30,743</u>	<u>57,413</u>

Consolidated Cash Flow Statement*For the year ended 31 March 2004*

	2004	2003
	<i>Note</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit before taxation		4,613
Amortisation of goodwill		131
Depreciation		2,275
(Gain)/loss on disposal of fixed assets		38
Gain on disposal of interest in a subsidiary company	27(b)	—
Interest income		(1)
Interest expenses		11
Interest expenses on obligation under finance leases		79
		<u>33,518</u>
Operating profit before working capital changes		7,146
Increase in inventories		—
Decrease in amount due from a director		407
Decrease in amount due from a related company		846
Increase in prepayments, deposits and other receivables		(2,875)
(Increase)/decrease in trade receivables		1,040
Increase/(decrease) in trade payables		(206)
Increase in deferred income		2,023
(Decrease)/Increase in amount due to a director		764
Increase/(decrease) in other payables and accruals		(17)
		<u>24,174</u>
Cash generated from operations		9,128
Hong Kong profits tax paid		(1,100)
		<u>(1,459)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		8,028
		<u>22,715</u>
INVESTING ACTIVITIES		
Purchase of fixed assets		(6,879)
Sales proceeds on disposal of fixed assets		9
Purchase of subsidiary (net of cash and cash equivalents)	27(a)	12
Cash outflow from further acquisition of a subsidiary		—
Decrease/(increase) in pledged fixed deposit		(1)
Interest received		1
		<u>2</u>
NET CASH USED IN INVESTING ACTIVITIES		(6,858)
		<u>(10,775)</u>

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares in acquiring subsidiaries		13	—
Proceeds from issue of new shares		23,100	—
Share issuance expenses		(6,212)	—
Proceeds from issuance of shares upon exercise of share options		4,374	—
Proceeds from new share issue of a subsidiary		—	4,900
New bank loan		—	1,100
Repayment of bank loan		(921)	(179)
Inception of finance leases		—	1,508
Repayment of finance leases		(1,145)	(963)
Interest paid		(25)	(11)
Interest paid on obligation under finance leases		(108)	(79)
Capital contributed by minority shareholder		4	—
Increase in minority interest		1	—
Dividend paid		(1,000)	(4,300)
Dividend paid to minority interest		—	(200)
		<u>18,081</u>	<u>1,776</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		18,081	1,776
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,021	2,946
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		4,284	1,338
CASH AND CASH EQUIVALENT AT END OF YEAR		<u>34,305</u>	<u>4,284</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>34,305</u>	<u>4,284</u>

Notes to the Financial Statements*For the year ended 31 March 2004***1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION**

The Company was incorporated in Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on GEM of the Exchange since 19 November 2003.

Under a group reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Exchange, the Company became the holding company of the Group on 4 November 2003. Details of the Reorganization were set out in the Prospectus issued by the Company.

The principal steps of the Reorganization, which involved the exchange of shares, were as follows:

- (i) the Company acquired the entire issued share capital of Sau San Tong Holdings Inc., the previous holding company of the Group, in consideration of and in exchange for the allotment and issue of a total of 366,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholder of Sau San Tong Holdings Inc.
- (ii) the Company acquired remaining 49% equity interest in Sau San Tong Healthy Trim Institute (TST) Limited for consideration of HK\$4,900,000, which then became wholly owned subsidiary of the Group, in exchange for the Company's allotted and issued 19,600,000 shares of HK\$0.01 each, credited as fully paid.

The Group resulting from the above mentioned Reorganization is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions".

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

2. IMPACT OF REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE

The revised Hong Kong Statement of Standard Accounting Practices ("SSAP") 12 "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current year (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The adoption of this revised SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures of deferred tax assets and liabilities are now more extensive than previously required. These disclosures are presented in note 8 to the financial statements and include a reconciliation between the accounting profit and the tax income for the year.

Further details of these changes are included in the accounting policy for deferred tax in note 3 and 8 to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The financial statements are prepared under the historical cost convention. Principal accounting policies are summarised below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

(b) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group’s share of the fair value of the identifiable assets and liabilities acquired.

Positive goodwill is amortised to the income statement on a straightline basis over its estimated useful life of five years. Positive goodwill is stated in the balance sheet at cost less any accumulated amortisation and any impairment losses.

(c) Subsidiaries

A subsidiary is a company in which the Company directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board.

The results of subsidiaries are included in the Company’s income statements to the extent of dividend received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

(d) Turnover and revenue recognition

- (i) Revenue from the sale of health and beauty products including consignment sales is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (ii) Revenue from operation of slimming centres is recognised when the services are rendered on a proportion basis. Payments received that are related to future performance are deferred and recorded as revenue as they are earned over the specified future performance periods.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iv) Management fee income is recognised when services are rendered.

(e) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. The borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Office equipment	20%
Furniture and fixtures	20%
Machinery	20%
Motor vehicles	30%

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amount of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(g) Investment in securities

Investments in debt and equity securities (other than held-to-maturity securities) which are intended to be held for an identified long-term purpose on a continuing basis, are classified as investment securities and are included in the balance sheet at cost less impairment loss.

The carrying amounts of investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. Provisions against the carrying value of investment securities are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value and is calculated using the first-in, first-out method. Net realisable value represents the estimate selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Leases**(i) Finance leases**

Leases that transfer to the Group substantially all the rewards and risks of ownership of the assets, other than legal title, are accounted for as finance leases.

Fixed assets held under finance leases are initially recorded at the present value of the minimum lease payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current or non-current liabilities.

Finance charges, which represent the difference between the minimum lease payments at the inception of the leases and the fair value of the assets, are allocated to accounting periods over the period of the relevant leases so as to produce a constant period rate of charge on the outstanding balances.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

(ii) *Operating leases*

Lease where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the respective leases.

(j) **Related parties**

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(k) **Trade receivables**

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet is stated net of such provision.

(l) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) **Translation of foreign currencies**

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

For the purpose of preparing consolidated financial statements, the income statements of overseas subsidiaries expressed in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average rates of exchange for the year. The balance sheets of overseas subsidiaries expressed in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. All exchange differences arising therefrom are dealt with in the currency translation reserve.

(n) Provision and contingent liabilities

A provision is recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) arising as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Where it is not probable that a future outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of resources is remote.

(o) Employee benefits

(i) Retirement benefit costs

The contributions payable to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement. Contributions are reduced by employer's voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately and independently from those of the Group.

(ii) Share options

The nominal income received from the grantees as consideration for the grant is recognized as income upon acceptance of the grant by the grantees. No employee benefits cost is recognized when options are granted. When the options are exercised, equity is increased by the amount of the proceeds received.

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is credited to the income statement in the year in which the reversal is recognised.

(r) **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and no geographical segment information is presented as all the Group's turnover and operating profit are derived from activities in Hong Kong.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before inter-company balances and inter-company transactions are eliminated as part of the consolidation process, except to the extent that such inter-company balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
— Sales of health and beauty products	30,993	11,526
— Operation of slimming centers	<u>104,660</u>	<u>47,419</u>
	<u><u>135,653</u></u>	<u><u>58,945</u></u>
Other revenue		
— Interest income	2	1
— Management fee income	592	—
— Others	<u>397</u>	<u>100</u>
	<u>991</u>	<u>101</u>
Total revenue	<u><u>136,644</u></u>	<u><u>59,046</u></u>

Turnover represents the invoiced value of goods sold, net of discounts and returns and the appropriate proportion of contract revenue from services rendered, net of discounts.

5. SEGMENT INFORMATION

The Group is principally engaged in the selling of health and beauty products and operation of slimming centres. The Group comprises the following two business segments:

- selling of health and beauty products
- operation of slimming centres

Since all the Group's turnover and operating profits are derived from activities in Hong Kong, no geographical analysis is shown.

	Year ended 31 March 2004			Group HK\$'000
	Sales of goods HK\$'000	Service income HK\$'000	Elimination HK\$'000	
Turnover				
External sales	30,993	104,660	—	135,653
Inter-segment sales	<u>1,384</u>	<u>—</u>	<u>(1,384)</u>	<u>—</u>
Total revenue	<u>32,377</u>	<u>104,660</u>	<u>(1,384)</u>	<u>135,653</u>
Segment profit	<u>2,289</u>	<u>29,246</u>		31,535
Unallocated costs				(3,402)
Other revenue				<u>991</u>
Profit from operations				29,124
Finance costs				(133)
Gain on disposal of interest in a subsidiary company				<u>3,775</u>
Profit before taxation				32,766
Taxation				<u>(5,222)</u>
Profit after taxation				27,544
Minority interests				<u>(118)</u>
Profit attributable to shareholders				<u>27,426</u>

Other segment information extracted from the income statement and balance sheet.

	Year ended 31 March 2004		
	Sales of goods <i>HK\$'000</i>	Service income <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets			
Fixed assets	965	10,524	11,489
Other assets	6,476	36,523	42,999
Unallocated assets			22,700
Total assets			77,188
Liabilities			
Segment liabilities	4,430	13,804	18,234
Unallocated liabilities			1,128
Total liabilities			19,362
Other segment information:			
Capital expenditure			
— Segment capital expenditure	42	9,899	9,941
— Unallocated capital expenditure			1,818
			11,759
Depreciation			
— Segment depreciation	579	3,729	4,308
— Unallocated depreciation			24
			4,332
Amortisation of goodwill			
— unallocated			142

	Year ended 31 March 2003			Group HK\$'000
	Sales of goods HK\$'000	Service income HK\$'000	Elimination HK\$'000	
Turnover				
External sales	11,526	47,419	—	58,945
Inter-segment sales	—	—	—	—
Total revenue	<u>11,526</u>	<u>47,419</u>	<u>—</u>	<u>58,945</u>
Segment (loss)/profit	<u>(3,607)</u>	<u>8,835</u>		5,228
Unallocated costs				(626)
Other revenue				<u>101</u>
Profit from operations				4,703
Finance costs				<u>(90)</u>
Profit before taxation				4,613
Taxation				<u>(958)</u>
Profit after taxation				3,655
Minority interests				<u>(734)</u>
Profit attributable to shareholders				<u>2,921</u>

Other segment information extracted from the income statement and balance sheet.

	Year ended 31 March 2003		
	Sales of goods HK\$'000	Service income HK\$'000	Group HK\$'000
Assets			
Fixed assets	1,586	5,158	6,744
Other assets	2,441	8,326	10,767
Unallocated assets			<u>1,542</u>
Total assets			<u>19,053</u>
Liabilities			
Segment liabilities	921	6,304	7,225
Unallocated liabilities			<u>1,820</u>
Total liabilities			<u>9,045</u>
Other segment information:			
Capital expenditure			
— Segment capital expenditure	1,685	5,190	6,875
— Unallocated capital expenditure			<u>121</u>
			6,996
Depreciation			
— Segment depreciation	518	1,733	2,251
— Unallocated depreciation			<u>24</u>
			<u>2,275</u>
Amortisation of goodwill — unallocated			<u>131</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Interest income	2	1
Gain on disposal of fixed assets	78	—
Gain on disposal of interest in a subsidiary company	3,775	—
Management fee income	<u>592</u>	<u>—</u>
Charging		
Auditors' remuneration	524	650
Cost of sales (i)	25,293	9,615
Staff costs (excluding Directors' emoluments)		
— Basic salaries and allowance	26,376	13,361
— Pension scheme contribution	1,168	599
— Staff quarter expenses	228	77
Amortisation of goodwill	142	131
Depreciation		
— Owned assets	4,069	1,824
— Leased assets	263	451
Operating lease rentals		
— Premises	4,342	3,316
— Machinery	16	66
Loss on disposal of fixed assets	—	38
Interest on bank loan and overdrafts wholly repayable within five years	25	11
Interest expenses on obligation under finance leases	<u>108</u>	<u>79</u>

Note:

- (i) During the year ended 31 March 2004, cost of sales included depreciation of machinery and machinery rental expenses of approximately HK\$649,000 (2003: HK\$358,000) and HK\$16,000 (2003: HK\$103,000) respectively.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

- (a) Details of emoluments paid/payable to Directors of the Company are:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees for Executive Directors	—	—
Fees for Non-Executive Directors	176	—
Other emoluments for Executive Directors		
— Bonus	—	—
— Retirement cost	29	12
— Basic salaries, allowances and benefits in kind	<u>4,250</u>	<u>1,399</u>
	<u>4,455</u>	<u>1,411</u>

The number of Directors whose remuneration falls within the following bands is as follows:

	2004	2003
Executive Directors		
— Nil to HK\$1,000,000	3	4
— HK\$3,000,001 to HK\$3,500,000	1	—
Non-Executive Directors		
— Nil to HK\$1,000,000	<u>4</u>	<u>2</u>
	<u>8</u>	<u>6</u>

During the year ended 31 March 2004, the three Executive Directors received individual emoluments of approximately HK\$3,382,000 (2003: HK\$747,000), HK\$647,000 (2003: HK\$423,000) and HK\$250,000 (2003: HK\$241,000) respectively. The four Independent Non-Executive Directors received individual fee of approximately HK\$44,000 (2003: HK\$Nil), HK\$44,000 (2003: HK\$Nil), HK\$44,000 (2003: HK\$Nil) and HK\$44,000 (2003: HK\$Nil) respectively.

During the year ended 31 March 2004, an Executive Director who received individual fee and emolument of HK\$Nil resigned (2003: HK\$ nil).

No Directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Director during the year.

(b) Details of emoluments paid/payable to the five highest paid individuals (including Directors and other employees) are:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	5,110	2,920
Pension scheme contribution	<u>57</u>	<u>45</u>
	<u>5,167</u>	<u>2,965</u>
	2004	2003
Number of Directors	2	2
Number of employees	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>

During the year, no emoluments were paid to the five highest paid individuals (including Directors and other employees) as inducement to join or upon joining the Group, or as compensation for loss of office.

The number of the five highest paid individuals (including Directors and other employees) whose remuneration falls within the following bands is as follows:

	2004	2003
Nil to HK\$1,000,000	4	5
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>—</u>
	<u>5</u>	<u>5</u>

8. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits of the individual companies incorporated in Hong Kong in the year (2003: 16%).

The details of the taxation charge are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong profits tax	5,360	688
Deferred taxation (<i>note 23</i>)	<u>(138)</u>	<u>270</u>
	<u><u>5,222</u></u>	<u><u>958</u></u>

A numerical reconciliation between tax expenses and the product of accounting profit and the applicable tax rates is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>32,766</u>	<u>4,613</u>
Tax at Hong Kong Profits Tax rates	5,734	738
Tax effect on non-taxable income	(1,051)	—
Tax effect on non-deductible expenses	416	118
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	34	—
Temporary differences not recognized	89	115
Over-provision of Hong Kong Profits Tax	<u>—</u>	<u>(13)</u>
	<u><u>5,222</u></u>	<u><u>958</u></u>

SSAP 12 (revised) was adopted during the year, as further explained in note 3 to the financial statements. There were no material effects on the Group's deferred tax assets or liabilities as at 31 March 2004. Accordingly, no prior year adjustment is included in the financial statements.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the year ended 31 March 2004, the consolidated profit attributable to shareholders includes a loss of approximately HK\$493,000 (2003: HK\$218,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim dividend declared and paid by the subsidiaries of the Company	(i)	1,000	4,300
Final and Special dividend proposed after the balance sheet date of total HK1.8 cents per share (2003: HK\$Nil)	(ii)	<u>9,666</u>	<u>—</u>
		<u><u>10,666</u></u>	<u><u>4,300</u></u>

(i) Prior to the Reorganization, certain companies of the Group had declared and paid dividends to their then shareholders.

- (ii) No dividend has been paid by the Company since its incorporation. At the meeting on 21 June 2004, the Board of Directors proposed a final dividend and special dividend in respect of the year ended 31 March 2004 of HK\$0.01 per share and HK\$0.008 per share amounting to a total of HK\$5,370,000 and HK\$4,296,000 respectively. These financial statements do not reflect this dividend payable, which will be accounted for in shareholder's equity as an appropriation of retained profits in the year ending 31 March 2005.

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2004 is based on the profit attributable to shareholders of approximately HK\$27,426,000 (2003: HK\$2,921,000) and on the weighted average number of approximately 529,085,000 ordinary shares in issue during the year (2003: 528,000,000 shares, all of which were deemed to have been issued prior to the placing).

The calculation of diluted earnings per share for the year ended 31 March 2004 is based on the net profit attributable to shareholders of approximately HK\$27,426,000 and on 564,022,000 shares, being the weighted average number of ordinary shares outstanding during the year adjusted for the effects of the share options during the period.

No diluted earning per share has been disclosed during the year ended 31 March 2003 as there were no diluting events existed.

12. GOODWILL

Movements of goodwill (consolidated) were:

	<i>HK\$'000</i>
Cost	
At 1 April 2003 and 31 March 2004	712
Accumulated Amortisation	
At 1 April 2003	131
Amortisation for the year	<u>142</u>
At 31 March 2004	<u>273</u>
Carrying Amount	
At 31 March 2004	<u><u>439</u></u>
At 31 March 2003	<u><u>581</u></u>

Positive goodwill is amortised on a straight-line basis over the estimated useful life of five years.

13. FIXED ASSETS

Movements of fixed assets (consolidated) were:

	Leasehold improvements	Machinery	Office equipment	Furniture and fixture	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost						
At 1/4/2003	4,188	2,725	1,249	926	720	9,808
Additions	6,733	2,157	575	477	1,817	11,759
Disposals	—	(580)	(68)	(54)	(351)	(1,053)
At 31/3/2004	<u>10,921</u>	<u>4,302</u>	<u>1,756</u>	<u>1,349</u>	<u>2,186</u>	<u>20,514</u>
Accumulated depreciation						
At 1/4/2003	1,669	538	273	248	294	3,022
Provision for the year	2,737	639	324	249	383	4,332
Disposals	—	—	(52)	(51)	(268)	(371)
At 31/3/2004	<u>4,406</u>	<u>1,177</u>	<u>545</u>	<u>446</u>	<u>409</u>	<u>6,983</u>
Net book value						
At 31/3/2004	<u>6,515</u>	<u>3,125</u>	<u>1,211</u>	<u>903</u>	<u>1,777</u>	<u>13,531</u>
At 31/3/2003	<u>2,519</u>	<u>2,187</u>	<u>976</u>	<u>678</u>	<u>426</u>	<u>6,786</u>

Notes: At 31 March 2004, the carrying amount of fixed assets held by the Group under finance leases was approximately HK\$23,000 (2003: HK\$1,508,000).

14. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consists of:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares	<u>3,660</u>	<u>—</u>

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than their carrying value as at 31 March 2004.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries as at 31 March 2004 are:

Name	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Sau San Tong Holdings Inc.	British Virgin Islands	US\$1,000	100%	—	Investment holding
Brilliant Concept Co. Ltd.	British Virgin Islands	US\$1	—	100%	Investment holding
Sau San Tong Healthy Trim Institute Limited	Hong Kong	HK\$18,750	—	92%	Operation of a slimming centre
Sau San Tong Beauty Figure Limited	Hong Kong	HK\$10,000	—	100%	Selling of health and beauty products
Sau San Tong Healthy Trim Institute (TST) Limited	Hong Kong	HK\$10,000	—	100%	Operation of a slimming centre
Sau San Tong Healthy Trim Institute (Causeway Bay) Limited (Formerly known as Fully Profit Limited)	Hong Kong	HK\$100	—	100%	Operation of a slimming centre
Sau San Tong Management Limited	Hong Kong	HK\$100	—	100%	Provision of management services
SST Advertising Agency Limited	Hong Kong	HK\$10,000	—	100%	Provision of advertising agency services
Sau San Tong Healthy Trim Institute (Shatin) Limited	Hong Kong	\$100	—	100%	Operation of a slimming centre
Sau San Tong China Holdings Limited (Formerly known as Sau San Tong Healthy Trim Institute (H.K.) Limited)	British Virgin Islands	US\$1	100%	—	Investment holding
Sau San Tong (Shanghai) Limited (Formerly known as Simply Beauty Limited)	British Virgin Islands	US\$1,000	—	50%	Investment holding

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2004.

15. INVENTORIES

Inventories (consolidated) consist of:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Consumables	<u>210</u>	<u>—</u>

At 31 March 2004, none of the inventories are stated at net realizable value (2003: HK\$Nil)

16. DUE FROM A RELATED COMPANY

Name	Connected parties	Balance at 31 March 2004 <i>HK\$'000</i>	Balance at 31 March 2003 <i>HK\$'000</i>	Maximum outstanding balance during the year <i>HK\$'000</i>
Super Nike Group Company Limited	Common director, Miss Cheung Yuk Shan, Shirley	<u>—</u>	<u>15</u>	<u>15</u>

17. DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The balance with Pentium Investment Limited, minority shareholder of a subsidiary, is unsecured, interest-free and repayable on demand.

18. TRADE RECEIVABLES

Credit periods given to customers ranged from 45 to 90 days. The aging analysis of trade receivables (consolidated), based on invoice date, is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 to 90 days	7,443	2,117
91 to 120 days	142	305
121 to 150 days	<u>85</u>	<u>—</u>
	<u><u>7,670</u></u>	<u><u>2,422</u></u>

19. DUE TO A DIRECTOR

The balance due to Miss Cheung Yuk Shan, Shirley is unsecured, interest-free and repayable on demand.

20. SHORT-TERM BANK LOAN

The short-term bank loan was unsecured, bearing interest at prime rate plus 1% per annum and repayable by instalments.

21. OBLIGATIONS UNDER FINANCE LEASES

The future minimum lease payments under finance leases and their present values for the year were as follows:

	Minimum lease payments		Present value of Minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amount repayable:				
Within one year	34	814	32	755
In the second year	—	181	—	158
In the third to fifth year, inclusive	—	307	—	264
	<u>34</u>	<u>1,302</u>	<u>32</u>	<u>1,177</u>
Total minimum finance lease payments	34	1,302	32	1,177
Less: future finance charges	(2)	(125)		
	<u>32</u>	<u>1,177</u>		
Total net finance lease payables	32	1,177		
Portion classified as current liabilities	(32)	(755)		
	<u>—</u>	<u>422</u>		
Long term portion	—	422		

22. TRADE PAYABLES

Credit periods given by suppliers ranged from 30 to 60 days. The aging analysis of trade payables (consolidated), based on invoice date, is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 90 days	2,496	146
91 to 120 days	331	—
121 to 150 days	286	—
Over 150 days	301	—
	<u>3,414</u>	<u>146</u>

23. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised by the Group and movements during the year.

Deferred tax liabilities arising from accelerated tax depreciation.

	2004 HK\$'000	2003 HK\$'000
At beginning year	360	90
(Credited)/charged to income statement for the year (note 8)	(138)	270
	<u>222</u>	<u>360</u>
At end of year	222	360

24. SHARE CAPITAL

The following is a summary of movements in the authorised and issued share capital of the Company:

	Notes	Number of shares		Nominal value HK\$'000
		Ordinary shares of HK\$0.10 each '000	Ordinary shares of HK\$0.01 each '000	
<i>Authorised:</i>				
On incorporation and at 31 March 2003	(i)	5,000	—	500
Sub-division of each share of HK\$0.10 each into 10 shares of HK\$0.01 each	(ii)	(5,000)	50,000	—
Increase in authorised share capital	(ii)	—	1,450,000	14,500
At 31 March 2004		—	1,500,000	15,000
<i>Issued and fully paid:</i>				
Allotted and issued at nil paid	(i)	5,000	—	—
Nil paid shares offsetting against amount due to a director	(i)	—	—	500
At 31 March 2003		5,000	—	500
Sub-division of each share of HK\$0.10 each into 10 shares of HK\$0.01 each	(ii)	(5,000)	50,000	—
On acquisition of Sau San Tong Holdings Inc. — consideration share issues	(iii)	—	366,000	3,660
On acquisition of Sau San Tong Healthy Trim Institute (TST) Limited — consideration share issues	(iv)	—	19,600	196
New issue of shares	(v)	—	92,400	924
Exercises of share options	(vi)	—	9,000	90
At 31 March 2004		—	537,000	5,370

The following changes in the Company's authorised and issued share capital took place during the period from 21 May 2002 (date of incorporation) to 31 March 2004.

- (i) On 21 May 2002 (date of incorporation), the authorised share capital of the Company was HK\$500,000 divided into 5,000,000 shares of HK\$0.10 each, 5,000,000 shares of which were allotted and issued at nil paid on 30 May 2002. The shares were subsequently settled through offsetting against amount due to a director during the year ended 31 March 2003.
- (ii) Pursuant to a written resolution of the sole shareholder of the Company passed on 4 November 2003, every issued and unissued shares of HK\$0.10 each in the share capital of the Company was sub-divided into ten shares of HK\$0.01 each. Pursuant to a further written resolution of the sole shareholder of the Company passed on 4 November 2003, the authorised share capital of the Company was increased from HK\$500,000 to HK\$15,000,000 by the creation of 1,450,000,000 additional shares of HK\$0.01 each.
- (iii) On 4 November 2003, the Company acquired the entire share capital of Sau San Tong Holdings Inc for consideration of HK\$3,660,000, and became the holding company of the Group in exchange for the Company's allotted and issued 366,000,000 shares of HK\$0.01 each, credited as fully paid.
- (iv) On 4 November 2003, the Company acquired remaining 49% equity interest in Sau San Tong Healthy Trim Institute (TST) Limited for consideration of HK\$4,900,000, which then became wholly owned subsidiary of the Group, in exchange for the Company's allotted and issued 19,600,000 shares of HK\$0.01 each, credited as fully paid.

- (v) Pursuant to the listing of Company's shares on GEM of the Exchange on 19 November 2003, the Company issued 92,400,000 shares of HK\$0.01 each at HK\$0.25 per share to the public by way of placing.
- (vi) During the year, 9,000,000 (2003: Nil) ordinary shares of HK\$0.01 each were issued pursuant to the Share Option Scheme of the Company (see Note 25)

25. SHARE OPTIONS

The Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") and a Share Option Scheme (the "Share Option Scheme") on 4 November 2003.

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted pre-IPO share options to two executive directors in recognition of their contribution to the growth of the Group and/or the listing of the shares of the Company on GEM. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of 105,600,000 shares of HK\$0.01 each in the Company at a subscription price of HK\$0.1 per share, representing 20% of the enlarged issued share capital of the Company as at the listing date. Each of the grantees had paid HK\$1 to the Company by way of consideration for the grant. All of these options are exercisable within the period from 19 May 2004 to 18 November 2008.

Details of the options, which have been granted under the Pre-IPO Share Option Scheme are listed below:

	Date of grant	Subscription price per share	Number of options granted during the year	Outstanding number of options as at 31 March 2004	Exercisable period
<i>Directors</i>					
Miss Cheung Yuk Shan, Shirley	10/11/2003	HK\$0.10	79,200,000	79,200,000	19/5/2004– 18/11/2008
Mr. Cheung Ka Heng, Frankie	10/11/2003	HK\$0.10	26,400,000	26,400,000	19/5/2004– 18/11/2008
			<u>105,600,000</u>	<u>105,600,000</u>	

No pre-IPO share options were exercised or cancelled during the year ended 31 March 2004.

(ii) Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. Eligible participants of the Share Option Scheme include full-time or part-time employees, executives or officers (including executive, non-executive directors and independent non-executive directors) of the Company and/or any of its subsidiaries and any suppliers, consultants, agents or advisers who, in the sole opinion of the Board, have contributed to the Company and/or such subsidiaries.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time (including the Pre-IPO Share Option Scheme) shall not exceed 30% of the shares in issue from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant in excess of 1% of the number of shares in issue as at the date of grant, are subject to the Company issuing a circular and the approval from the Company's shareholders in a general meeting.

The exercise price for a share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the official closing price of the shares as stated in the daily quotation sheets of the Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than five years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme.

Details of the options, which have been granted under the Share Option Scheme are listed below:

Type of grantee	Date of grant	Subscription price per share	Number of options granted during the year	Exercised during the year	Outstanding number of options as at 31 March 2004	Exercisable period
Other employees	5/1/2004	HK\$0.486	30,000,000	(9,000,000)	21,000,000	5/1/2004– 4/1/2009

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

The share premium account of the Group represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses.

Merger reserve of the Group represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiaries acquired by the Company through exchange of shares.

(b) Company

	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net loss for the period	—	(218)	(218)
At 31 March 2003	—	(218)	(218)
Share issued in acquiring subsidiaries	4,704	—	4,704
New issue of shares	22,176	—	22,176
Share issuance expenses	(6,212)	—	(6,212)
Exercise of share options	4,284	—	4,284
Net loss for the year	—	(493)	(493)
At 31 March 2004	<u>24,952</u>	<u>(711)</u>	<u>24,241</u>

Note: The share premium account of the Company represents the shares of the Company issued at a premium less share issue expenses. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash inflow from purchase of a subsidiary

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net liabilities acquired:		
Fixed assets, net	—	62
Due from a related company	—	200
Deposit and other assets	—	1
Cash and cash equivalents	—	13
Accruals	—	(21)
Other payable	—	(1,031)
Due to a related company	—	(517)
	—	(1,293)
Minority interests	—	582
	—	(711)
Goodwill amortised over 5 years	—	712
Satisfied by cash	<u>—</u>	<u>1</u>
Analysis of the net inflow of cash and cash equivalents in respect of the purchase of a subsidiary		
Cash consideration	—	(1)
Cash and cash equivalent acquired	—	13
Net inflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>—</u>	<u>12</u>

(b) Disposal of a subsidiary

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net liabilities disposed of:		
Amount due from immediate holding company	8	—
Amount due to group companies	(10)	—
Amount attribute to minority interests	<u>1</u>	<u>—</u>
Net liabilities	(1)	—
Gain on disposal of interest in a subsidiary	<u>3,775</u>	<u>—</u>
Consideration	<u>3,774</u>	<u>—</u>
Satisfied by:		
Consideration receivable	<u>3,774</u>	<u>—</u>

- (i) On 12 February 2004, the Group entered into an agreement to dispose its 50% equity interest in a wholly-owned subsidiary, Sau San Tong (Shanghai) Limited to an independent third party, Pentium Investment Limited, for a total consideration of RMB4,000,000 (equivalent to approximately HK\$3,774,000) (“the Disposal”). The Disposal was completed on 31 March 2004. Upon completion, the Group retained control over Sau San Tong (Shanghai) Limited and Pentium Investment Limited became minority shareholder of the subsidiary.

(c) Major non-cash transaction

During the year ended 31 March 2004, the Company acquired the entire share capital of Sau San Tong Holdings Inc with share issued value of HK\$8,000 for consideration of HK\$3,660,000, and became the holding company of the Group in exchange for the Company’s allotted and issued 366,000,000 shares of HK\$0.01 each, credited as fully paid. In addition, the Company acquired remaining 49% equity interest in Sau San Tong Healthy Trim Institute (TST) Limited with share issued value of HK\$5,000 for consideration of HK\$4,900,000, which then became wholly owned subsidiary of the Group, in exchange for the Company’s allotted and issued 19,600,000 shares of HK\$0.01 each, credited as fully paid.

During the year ended 31 March 2003, the Group issued 4,999,999 shares of HK\$0.10 each to a director of the Company for HK\$500,000, which were settled through offsetting against amount due to a director.

28. EMPLOYEE RETIREMENT BENEFITS

The Group has implemented a provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Scheme Ordinance effective from 1 December 2000. The pension scheme contributions charged to the income statement represent contributions payable (i.e. 5% of staff’s relevant income with upper monthly limit to HK\$1,000) by the Group to the specified retirement fund of the individual employees.

29. COMMITMENTS

(a) Capital commitments

Capital commitments (consolidated) not provided for in the financial statements are analysed as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Authorised and contracted for		
— purchase of fixed assets	<u>110</u>	<u>405</u>

The Company had no capital commitments as at 31 March 2004 and 2003.

(b) Operating lease commitments

The Group has operating lease commitments in respect of land and buildings and machinery under various non-cancellable operating lease agreements. The total commitments payable under these agreement are analysed as follows:

	Land and buildings		Machinery	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Payable				
— Within one year	5,395	3,272	—	24
— In the second year	2,818	1,845	—	—
— In the third to fifth years	<u>1,243</u>	<u>295</u>	<u>—</u>	<u>—</u>
	<u>9,456</u>	<u>5,412</u>	<u>—</u>	<u>24</u>

30. CHARGE ON ASSETS

As at 31 March 2004, the Group has not pledged any assets.

As at 31 March 2003, fixed deposit of the Group amounted to approximately HK\$227,000 had been pledged to a bank to secure the guarantee of approximately HK\$225,000 given by the bank in respect of an additional rental deposit.

2. FIRST QUARTERLY REPORT 2004

Set out below is an extract of the financial information of the Group from its first quarterly report for the three months ended 30 June 2004:

Condensed Consolidated Income Statement

	<i>Notes</i>	For the three months ended	
		30 June	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	50,924	44,643
Cost of sales		<u>(5,699)</u>	<u>(8,247)</u>
Gross profit		45,225	36,396
Other revenue	2	123	5
Selling and distribution expenses		(20,653)	(15,532)
General and administrative expenses		<u>(7,382)</u>	<u>(4,571)</u>
Profit from operations		17,313	16,298
Finance costs		<u>(2)</u>	<u>(29)</u>
Profit before taxation		17,311	16,269
Taxation	3	<u>(2,833)</u>	<u>(2,811)</u>
Profit after taxation		14,478	13,458
Minority interests		<u>(103)</u>	<u>(420)</u>
Profit attributable to shareholders		<u>14,375</u>	<u>13,038</u>
Dividends	4	<u>—</u>	<u>1,000</u>
Earnings per share	5		
Basic		<u>2.68 cents</u>	<u>2.47 cents</u>
Diluted		<u>2.57 cents</u>	<u>n/a</u>

Notes:

1. GROUP REORGANIZATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization") to rationalize the group structure in preparation for the listing of the Company's shares on GEM, the Company became the holding company of the Group upon completion of the Reorganization on 4 November 2003. Further details of the Reorganization are set out in the Company's prospectus dated 10 November 2003 (the "Prospectus"). The Group resulting from the Reorganization, is regarded as a continuing entity for the accounting purpose.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention.

2. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of goods sold, net of discounts and returns and the appropriate proportion of contract revenue from services rendered, net of discounts.

	Three months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of health and beauty products	4,850	10,462
Operation of slimming centres	<u>46,074</u>	<u>34,181</u>
	<u>50,924</u>	<u>44,643</u>
Other revenue		
Interest income	1	—
Management fee income	90	—
Others	<u>32</u>	<u>5</u>
	<u>123</u>	<u>5</u>
Total revenue	<u><u>51,047</u></u>	<u><u>44,648</u></u>

3. TAXATION

Hong Kong profits tax has been provided for at a rate of 17.5% on the estimated assessable profits of the individual companies incorporated in Hong Kong for the three months ended 30 June 2004 (three months ended 30 June 2003: 17.5%).

	Three months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	3,101	3,105
Deferred taxation	<u>(268)</u>	<u>(294)</u>
	<u><u>2,833</u></u>	<u><u>2,811</u></u>

4. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2004 (three months ended 30 June 2003: HK\$1,000,000).

	Three months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid by the subsidiaries of the Company (i)	<u>—</u>	<u>1,000</u>

(i) Prior to the Reorganization, certain companies of the Group had declared and paid dividends to their then shareholders.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2004 is based on the unaudited profit attributable to shareholders of HK\$14,375,000 (three months ended 30 June 2003: HK\$13,038,000) and on the weighted average number of 537,000,000 ordinary shares in issue during the Period Under Review (three months ended 30 June 2003: 528,000,000 shares, all of which were deemed to have been issued prior to the Listing).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 30 June 2004 is based on the unaudited profit attributable to shareholders of HK\$14,375,000 and on 558,842,740 shares, being the weighted average number of ordinary shares outstanding during the Period Under Review adjusted for the effect of the share options during the Period Under Review.

No diluted earning per share for the three months ended 30 June 2003 has been disclosed as there were no diluting events existed.

6. MOVEMENT OF RESERVES

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2004	5,370	24,952	(3,652)	30,743	57,413
Net profit attributable to shareholders	—	—	—	14,375	14,375
As at 30 June 2004	<u>5,370</u>	<u>24,952</u>	<u>(3,652)</u>	<u>45,118</u>	<u>71,788</u>
As at 1 April 2003	500	4,895	—	4,317	9,712
Net profit attributable to shareholders	—	—	—	13,038	13,038
Dividends	—	—	—	(1,000)	(1,000)
As at 30 June 2003	<u>500</u>	<u>4,895</u>	<u>—</u>	<u>16,355</u>	<u>21,750</u>

3. INDEBTEDNESS

(a) Borrowings

As at the close of business on 31 August 2004, being the latest practicable date for the purpose of this indebtedness statement, the Group had no bank borrowings.

(b) Contingent liabilities

At 31 August 2004, the Group had no material contingent liabilities.

(c) Capital commitments

At 31 August 2004, the Group had no material capital commitments.

(d) Other commitments

At 31 August 2004, the Group had no material other commitments.

(e) Debt securities

At 31 August 2004, the Group had no debt securities and term loans.

(f) Other borrowings

At 31 August 2004, the Group had no other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments.

(g) Mortgages and charges

At 31 August 2004, the Group did not have any outstanding mortgages or charges.

4. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the Group's cash and bank balances as at 30 June 2004 and the Group's internal resources, the Group has sufficient working capital for its present requirements i.e. for the next 12 months after the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2004, the date to which the latest audited financial statements of the Group were made up.

6. PROSPECTS

As a consequence of the above transaction, the Group can further strengthen its leading player as one of the prominent providers of health and beauty products and services. As matters now stand, the Group considers that it is strategically important to expand its health and beauty products in PRC markets to meet the increasingly demands from PRC consumers with a view to enhancing the Group's turnover from sale of health and beauty products in PRC.

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, have made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in shares and underlying shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long position in shares of the Company:

Name of Director	Number of shares			Approximate percentage interest in the Company's issued share capital
	Corporate interests	Personal interests	Total	
Miss Cheung Yuk Shan, Shirley ("Miss Cheung")	293,200,000 (Note 1)	79,820,000	373,020,000	57.98%

Note 1: The 293,200,000 Shares were held by Biochem Investments Limited ("Biochem"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is wholly owned by Miss Cheung.

(b) Long position in underlying shares of equity derivatives of the Company:*(i) Pre-IPO Share Option Scheme*

Pursuant to the Company's Pre-IPO share option scheme adopted and approved by written resolution of the sole shareholder of the Company passed on 4 November 2003, options to subscribe for an aggregate of 105,600,000 Shares at an exercise price of HK\$0.1 per share of the Company have been conditionally granted by the Company under the Pre-IPO share option scheme. Each of the grantees has paid HK\$1.00 to the Company by way of consideration for the grant. All of these options are exercisable within the period commencing from the date falling on the expiry of the six-month period following the Listing date and ending on the expiry of five years following the Listing date but each will lapse in accordance with the terms of the Pre-IPO share option scheme if the relevant grantee ceases to be a director or an employee of the Group or on any other grounds set out in the Pre-IPO share option scheme. Particulars of the options granted are as follows:

Name of grantee	Title/position	No. of options granted	Exercise price per underlying share
Miss Cheung	Director	79,200,000	HK\$0.1
Mr. Cheung Ka Heng, Frankie	Director	26,400,000	HK\$0.1

On 2 September 2004, Miss Cheung and Mr. Cheung Ka Heng, Frankie have exercised the Pre-IPO Share Options of 79,200,000 shares and 26,400,000 shares respectively at an exercise price of HK\$0.1 under the Pre-IPO Share Option Scheme.

(ii) Share Option Scheme

The interests in the underlying shares of the Company arise from share options granted to the Directors of the Company under the Company's Share Option Scheme, details of which are as follows:

Name of Director	Date of grant	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage interest in the Company's issued share capital
Miss Cheung	10 September 2004	HK\$0.512	5,000,000	0.8%
Mr. Cheung Ka Heng, Frankie	10 September 2004	HK\$0.512	5,000,000	0.8%
Mr. Ho, Francis Man Kwong	9 September 2004	HK\$0.512	5,000,000	0.8%

Note 1: The above interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates has any personal, family, corporate or other interests or short positions in the Shares and underlying shares of the Company or its associated (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant the minimum standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Long position in shares of the Company:

Name of Substantial Shareholders	Number of shares				Approximate percentage interest in the Company's issued share capital
	Corporate interests	Personal interests	Others	Total	
Miss Cheung	293,200,000 (Note 1)	79,820,000	—	373,020,000	57.98%
Value Partners Limited	—	—	53,880,000 (Note 2)	53,880,000	8.37%

Note 1: Biochem is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Biochem is directly owned by Miss Cheung, who is a sole director of the company.

Note 2: Mr. Cheah Cheng Hye is deemed to be interested in the shares through his 31.82% interest in Value Partners Limited

Saved as disclosed above, as at the Latest Practicable Date, no person, other than the Directors of the Company and the chief executive of the Group whose interests are set out in the section "Disclosure of Directors' Interests" above, had registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Management Shareholders

As at the Latest Practicable Date, so far as the Directors are aware, other than Miss Cheung and Value Partners Limited as disclosed above, there is no other person who is directly or indirectly interested in 5% or more of the issued share capital of the Company and who is able, as a practical matter, to direct or influence the management of the Company.

4. DIRECTORS' INTEREST IN CONTRACTS

- (a) Each of the Directors has entered into a service contract with the Company, details of which are set out in the section "Directors' Service Contracts" in Appendix III Directors and Senior Management Information.
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the last published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

6. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

From the listing date of the Company to the date of this circular, there were no contracts (other than contracts entered into in the ordinary course of business) entered into by members of the Group which are or may be material.

8. EXPERT'S DISCLOSURE OF INTERESTS, CONSENT AND QUALIFICATION

As at the Latest Practicable Date, CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Limited), Certified Public Accountants, had no direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which had been since 31 March 2004, being the date in which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

CCIF CPA Limited has given and has not withdrawn its consent to the issue of this circular with reference to its name in the form and context in which it appears.

9. SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 10 November 2003 entered into between the Company and South China Capital Limited (the "Sponsor"), the Sponsor received a fee for acting as the Company's retained sponsor for the period from 19 November 2003 to 31 March 2006.

As at the Latest Practicable Date, none of the Sponsor, its Directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Shares of the Company, or any right to subscribe for or to nominate persons to subscribe for any Shares of the Company.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the business address of the Company in Hong Kong at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on a weekday other than public holiday up to and including 30 October 2004.

- (a) the memorandum and articles of association of the Company;
- (b) the prospectus of the Company dated 10 November 2003;
- (c) the 2004 annual report of the Group for the financial year ended 31 March 2004;
- (d) the Joint Venture Agreement; and
- (e) a letter of consent from CCIF CPA Limited referred to in the section headed "Expert's Disclosure of Interests, Consent and Qualification".

11. GENERAL

- (a) The branch share registrar and transfer office in Hong Kong of the Company is Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
- (c) The principal place of business of the Company in Hong Kong is at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The Compliance Officer of the Company is Miss Cheung Yuk Shan, Shirley. Miss Cheung is the executive director and chairman of the Company.
- (e) The Company Secretary and Qualified Accountant of the Company is Miss Ho Hau Yin. Miss Ho is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (f) The Company established an audit committee on 4 November 2003 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board of Directors of the

Company. The audit committee comprises Mr. Hong Po Kui, Martin and Mr. Li Kuo Hsing, further details of which are set out in Appendix III Directors and Senior Management Information.

According to Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of 3 members. As at the Latest Practicable Date, the Company is awaiting for the consent of one candidate to be the audit committee member and the Company will ensure compliance with the GEM Listing Rules in this regard as soon as practicable.

- (g) The authorised share capital of the Company is HK\$15,000,000 divided into 1,500,000,000 shares of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$6,434,000 divided into 643,400,000 shares.
- (h) At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or at least one member. Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder of for which such person holds a proxy. Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered member in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two members or proxy members appointed by the Chairman for the purpose and the result of the poll shall be declared by the Chairman.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**Executive Directors**

Miss CHEUNG Yuk Shan, Shirley, aged 29, is the Chairman, Chief Executive Officer and founder of the Group with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. She established the Group four years ago and successfully developed it from a threestaffed company to an organisation with over 200 staff. Miss Cheung is responsible for the overall stewardship of the Group which includes directions and formulating strategies. Leading the Group to a new height, she achieved various accomplishments complimenting her management style and innovative promotional strategies. Miss Cheung received the Honour Award of the Innovative Entrepreneur of the Year 2004 of the Hong Kong district, organised by the City Junior Chamber in May 2004.

Mr. CHEUNG Ka Heng, Frankie, aged 31, is an Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. He is responsible for the business development and administration of the Group. Mr. Cheung holds a master degree in business administration from Americus University of the United States. Prior to joining the Group in June 2002, he was the director of Vicorp Credit Services Limited, a company which provides credit information, commencing from September 1999. Mr. Cheung is the elder brother of Miss Cheung Yuk Shan, Shirley.

Mr. HO, Francis Man Kwong, aged 50, is an Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. Mr. Ho is responsible for overall management and business planning of the Group's slimming centres. He has extensive experience in the management, sales and marketing field. He is responsible for the general management of the Group, including sales and marketing, participating in planning, formulating and launching of new products. Prior to joining the Group in April 2002, Mr. Ho was the general manager of Ocean Cassette Accessories Manufactory Limited for the period from September 1998 to July 2000. This company is principally engaged in the manufacturing of cassette tape parts and components.

Independent Non-Executive Directors

Mr. HONG Po Kui, Martin, aged 54, is an Independent Non-Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong and joined the Group in June 2002. He is responsible for giving advices to the board of Directors and shareholders of the Company. Mr. Hong is a practicing solicitor and a notary public in Hong Kong. He has been practicing as a solicitor of the High Court of Hong Kong for over 25 years and is the senior partner of Messrs Lau, Chan & Ko, Solicitors. He holds a bachelor degree in science from University of New South Wales. Mr. Hong is a non-executive director of Tse Sui Luen Jewellery (International) Limited, a company listed on the Main Board of the Exchange, as well as the chairman of The Hong Kong Football Association and the commissioner of Hong Kong Road Safety Patrol.

Mr. LI Kuo Hsing, aged 45, is an Independent Non-Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong and joined the Group in June 2002. He is an appointed member of the District Board, Southern District, Hong Kong. Mr. Li is the chairman of Mei Ah Entertainment Group Limited, a company listed on the Main Board of the Exchange.

Mr. TO Kon Hung, Terence, aged 41, is an Independent Non-Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong and joined the Group in September 2003. Mr. To is a partner of Messrs To, Lam & Co., Solicitors. He holds a bachelor degree in social sciences with honour from the University of Hong Kong and a bachelor's degree in laws with honour from University of London. Mr. To is a practising solicitor of the High Court of Hong Kong and is admitted as a solicitor of the Supreme Court of England and Wales.

Mr. HO Yiu Ming, aged 60, is an Independent Non-Executive Director with business address at 6th Floor, Prestige Tower, Nos. 23–25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong and joined the Group in September 2003. Mr. Ho has extensive experience in the auditing and accounting fields. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Association of International Accountants. He has been the managing partner of Billy Ho and Company, Certified Public Accountants, since 1984. From December 1999 to January 2002, Mr. Ho was an independent non-executive director of China Nan Feng Group Limited (formerly known as Prosper eVision Limited), a company listed on the Main Board of the Exchange.

Senior Management

Miss HO Hau Yin, aged 29, is the Chief Accountant and Company Secretary of the Group. Miss Ho is responsible for overseeing the accounting and financial management and company secretarial functions of the Group. She holds a bachelor's degree in accounting from the City University of Hong Kong and is a qualified accountant. Prior to joining the Group in May 2002, Miss Ho worked in an international accounting firm, Deloitte Touche Tohmatsu and served the assurance and advisory services division. Miss Ho is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing 4 November 2003 and will continue thereafter for successive term of one year unless and until terminated by not less than six months' notice in writing served by either party to the other provided that such notice period shall not expire at any time during the first 12 calendar months of the term of the appointment. Each of these Executive Directors is entitled to a basic salary which will be reviewed at the discretion of the board of Director. In addition, the Executive Directors are also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the Executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated net profit of the Group (after taxation and minority interest but before extraordinary and exceptional items of the Group) in respect of the financial year. An Executive Director may not vote on any resolution of the Directors regarding any increase in the basic salary or payment of discretionary bonus payable to him.

For all intents and purposes, the English text of this circular shall prevail over the Chinese text.