Water Oasis Group Limited

奧思集團有限公司

Stock Code 股份代號：1161

On the cornerstone of

Past Achievements

Create new chapters of

Success

建基往績成就

創建輝煌未來

ANNUAL REPORT 年報

2008

CONTENTS

CORPORATE PROFILE

Water Oasis Group (the "Group") has developed rapidly to become one of the leading skin-care and beauty group in the market since 1998. The Group has exclusive distribution rights for the renowned ~H_2O+ brand skin-care products in Hong Kong, Macau, Mainland China, Taiwan and Singapore as well as the international brand Neutrogena skin-care products distributed in the department store channel in Mainland China. In addition, the Group has dedicated to diversify its beauty businesses over the years covering the operations of spa and beauty salons, medical beauty centre and other beauty-related businesses.

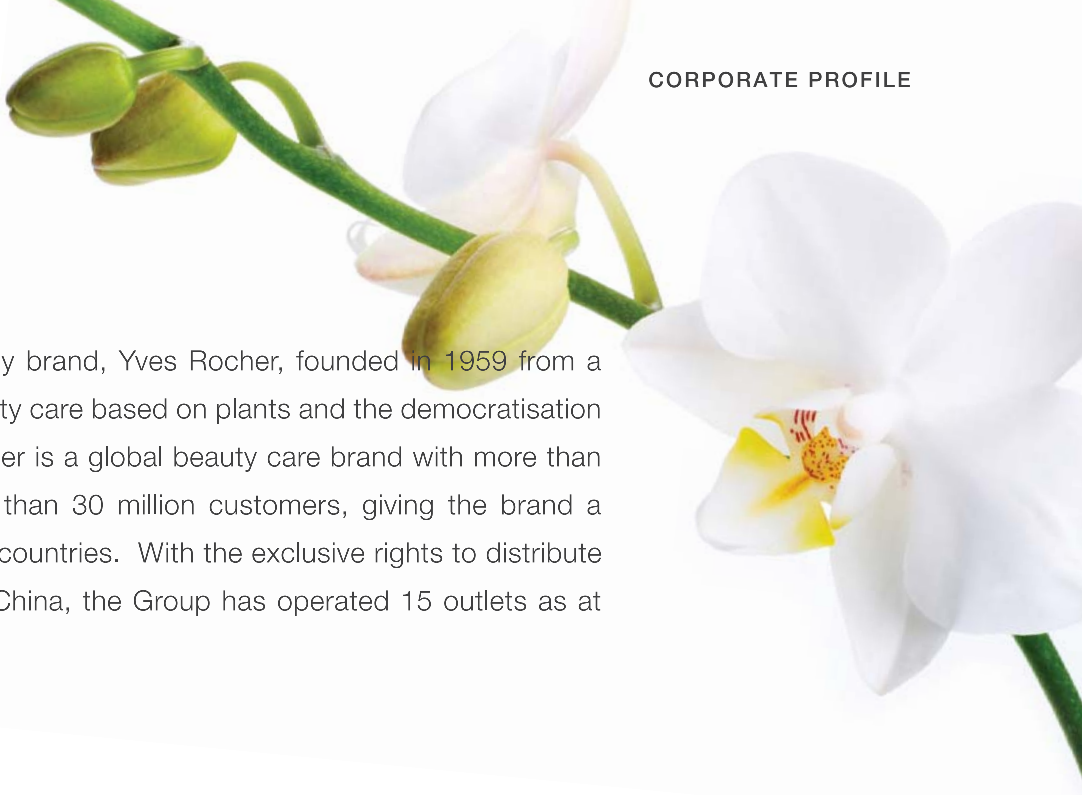
With a joyful celebration of its 10th anniversary in this year, the Group has formed majority-owned joint ventures, and started its retail products distribution with Yves Rocher, the French number one botanical beauty brand with exclusive distribution rights in Mainland China in September 2008. This further strengthens the Group's product range and brand portfolio, enhancing its leading position in the market.

~H_2O+

Boasting water-based, oil-free formula and health benefits from its use of ingredients extracted from the sea, the ~H_2O+ range has wide appeal for both men and women. Retail sales of ~H_2O+ products including skin-care, body-care and health supplement products is one of the major revenue stream of the Group. As at 31st December 2008, there is a total of 227 retail outlets comprising Hong Kong (17) and Macau (1), and Mainland China (192) (consisting of 102 self-managed and 90 franchised outlets), Taiwan (15) and Singapore (2).

Neutrogena

Granted the exclusive rights by Johnson & Johnson to distribute products of the globally recognised Neutrogena brand in Mainland China department stores, the Group has opened 97 self-managed and 64 franchised outlets for the brand in Mainland China as at 31st December 2008 and has contributed positively to the Group's turnover.



Yves Rocher

French number one botanical beauty brand, Yves Rocher, founded in 1959 from a vision of a man who believed in beauty care based on plants and the democratisation of beauty for all women. Yves Rocher is a global beauty care brand with more than 1,600 outlets worldwide and more than 30 million customers, giving the brand a presence on 5 continents and in 80 countries. With the exclusive rights to distribute Yves Rocher products in Mainland China, the Group has operated 15 outlets as at 31st December 2008.

Spa and Beauty

In addition to our retail operations, the Group operates a total of 20 Spa and Beauty centres in Hong Kong. This includes 2 Oasis Spa providing beauty and slimming treatments, hydro-bath and massage services, featuring use of the full range of ~H_2O+ products, as well as 13 Oasis Beauty centres, and 4 Aqua Beauty centres for women plus 1 Oasis Homme centre for men. These Spa and Beauty centres offer a wide range of competitively-priced beauty treatments targeting the high, mid and mass market customers. As at 31st December 2008, the Group has opened 2 Oasis Beauty centres in Beijing.

Medical Beauty

To provide a comprehensive spectrum of beauty services, the Group started the business of Oasis Medical Centre in January 2008. Manned by qualified doctor and professional therapists, the centre offers specialised medical beauty services such as laser, IPL, whitening, vein removal, and botox treatments. The new business represents expansion of the Group's operations in alignment with its core business.

Other Businesses

The Group also operates other supporting businesses including Oasis Beauty School, Oasis Florist, Oasis Brand Communications and Oasis Techno-Beauty.

Water Oasis Group Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2002.

CEO'S STATEMENT

The year 2008 has brought major and wide-sweeping global changes in both political and economic spheres. The year also marks the 10th anniversary of our Group's incorporation, and is a reminder that the Water Oasis Group has had plenty of experience facing and handling economic and political changes. Our experience has taught us that foresight and a proactive anticipation of change is a far more useful strategy than simply waiting for things to happen and then trying to react. This strategy is one that we have used to our advantage during the year, and will continue to employ in the year to come.

We have always emphasised the importance of maintaining highly controlled and cost-effective operations, in good times as well as challenging ones. While continuing to minimise our costs wherever possible, we will also move carefully forward with our growth plans, ever ready to take advantage of opportunities that have clear and proven potential.

Fortunately our major market, Mainland China, is less susceptible to the current economic difficulties than most others. Economic growth is expected there in the coming year, albeit at a lower rate than last year. We will therefore continue with our focus on Mainland expansion, though of course we will proceed cautiously in line with the changing global situation. Having been in the Mainland market for some years now, we have built up a sound competitive advantage in terms of our strong customer base, excellent reputation, extensive business connections and close familiarity with the Mainland market.

The past year has seen us continue to expand the range of products, brand portfolio, and beauty services we offer, helping the Group transform into a truly comprehensive provider of health and beauty services. Some of our new developments, such as the Collagen 8000 health drink, have been very successful and have opened up new possibilities for growth. Our joint venture with Yves Rocher, the world leader in botanical beauty care, looks set to trigger some very exciting growth opportunities on the Mainland. In Hong Kong, our medical beauty centre has incorporated new services and in the process attracted new clientele. On the Mainland, the success of our first 2 Oasis Beauty outlets in Beijing suggests that there is a promising future for translating our beauty services concept to the Mainland environment. These are all powerful reasons why we remain optimistic about the Group's future prospects, and will continue to expand carefully and broaden our revenue streams. We are constantly fine-tuning our strategies to stay in step with market changes. All along, we are committed to spending prudently and wisely.

Ever since its establishment a decade ago the Group has worked like this: consolidating its existing strengths on the one hand, and constantly exploring promising new opportunities on the other. I believe that our next ten years will bring many exciting and profitable developments in the Water Oasis story.

Yu Lai Si
Executive Director and Chief Executive Officer
15th January 2009

MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL

The fiscal year 2008 has proved another good one for the Group, with retail sales remaining strong and markets continuing to respond well to the Group's increasingly diverse range of products and services. Results were helped by continued expansion of ~H_2O+ and Neutrogena retail outlets in Mainland China. Not only did these additional store counters create higher turnover for the Group, but existing Mainland stores also performed very strongly, averaging double-digit percentage same-store growth over the year. The Group benefited from a first half of the financial year in which economic confidence and consumer activity was still strong, and on this foundation was able to achieve satisfactory results for the second half year too. The success of some of its new products, especially the health drink Collagen 8000, also boosted the Group's results significantly. Collagen 8000 has been launched in all the Group's major markets including Hong Kong, Mainland China, Taiwan and Singapore, and has been a proven success in each one. In particular, it has caught the attention of the Mainland Chinese public and quickly become one of the Group's best sellers. Sales of Collagen 8000 have also had the effect of broadening the demographic range of the Group's customers.

~H_2O+

MAINLAND CHINA

The Group's Mainland China ~H_2O+ retail operations were the major contributors to the Group's turnover and profits in the year under review, and Mainland China will remain the Group's key growth driver for the foreseeable future. The Group continued its focus on expanding its business there through the opening of additional ~H_2O+ retail outlets over the year, so that at the end of December 2008 the total number of ~H_2O+ outlets on the Mainland stood at 192. This number represented an increase of 25 outlets over the number operating at the same time in 2007. The Group is currently looking carefully at suitable locations for further retail outlets.

HONG KONG AND MACAU

In Hong Kong the Group has also built up a momentum, in response to which it opened a further 3 ~H_2O+ stores during 2008. 2 of these were strategic moves to capture potential markets and further consolidate its presence in the New Territories. The third and most recent was a new store that opened in Hong Kong's prime shopping district, Causeway Bay, in December 2008. These additional stores helped improve the Group's coverage and turnover in Hong Kong.

Hong Kong is a long-established and mature market for the Group that requires a different management approach from the fast-expanding Mainland one. To keep returns from its Hong Kong operations stable and strong, the Group has worked to achieve improved sales in each individual store, and continued to exercise effective cost-control measures, for instance by keeping strict tabs on advertising, rental and staff costs. These measures helped the Group reduce the ratio of costs to revenue and boost its sales performance over the year.

TAIWAN AND SINGAPORE

In Taiwan, the number of ~H_2O+ outlets remained at 14 over the fiscal year. 1 additional outlet has since been opened, in October 2008, bringing the current total to 15. Overall, performance in Taiwan for the year under review was better than for the previous year. Part of this can be attributed to the implementation of cost-control measures and improved efficiency.

Following a consolidation of the Group's Singapore operations in 2007, the 2 outlets there performed very well in 2008 and moved into profitability.

Neutrogena

At the end of December 2008, the Group had increased the number of its Neutrogena outlets across the country to 161. Sales remain strong for these products, and the income stream from Neutrogena has contributed a positive percentage to the Group's overall bottom line.

Yves Rocher

In July 2008 the Group signed shareholder agreements to form Joint Ventures with number one French botanical beauty brand Yves Rocher, formalising the Memorandum of Understanding reached earlier in the year. Yves Rocher is a global beauty care brand with a long and illustrious history, and currently there are more than 1,600 Yves Rocher outlets worldwide, giving the brand a presence on 5 continents and in 80 countries. Globally, it boasts more than 30 million customers. The Joint Ventures make the Group the majority shareholder in the arrangement, with a 75% shareholding, and gives it exclusive distribution rights for all Yves Rocher products throughout all of Mainland China. The Group began its Yves Rocher operations in September 2008, taking over control of 7 existing Yves Rocher stores in major Mainland cities. At the date of this review it had opened a further 10 new outlets in Mainland China, which have been rolled out with a new image and marketing concept for the brand that includes a stylish logo, new colour schemes, and a fresh, strong and trendy image. These new outlets have been very well-received by the public. The Group plans to extend this exciting new brand image to all its Yves Rocher branches as it opens new outlets or revamps existing ones.

The Joint Ventures represent excellent value for both parties. The Group's involvement will further boost market awareness of the brand in Mainland China, and the Group's experiences in beauty care and in the Mainland retail environment offer an excellent basis for future expansion. Mainland China will be the first region worldwide to launch the trendy new-look Yves Rocher brand logo and marketing concept, putting the Group at the vanguard of the brand's worldwide makeover. The Group plans to open further Yves Rocher outlets, which will include franchise arrangements, in the future once the brand develops momentum with Mainland consumers, and it expects to finalise the best locations for these new-look stores over the next year or two. Meanwhile, it will continue to monitor closely the positioning and performance of its existing 15 outlets.

SERVICES

Spa and Beauty

As at the end of December 2008, the Group operated 2 high-end Oasis Spa outlets in Hong Kong, and 18 Oasis Beauty/Aqua Beauty/Oasis Homme outlets. All of these maintained steady performances in the year under review, enjoying strong customer bases and a good reputation. Traditionally a major contributor to the Group's profits, the spa and beauty business continues to contribute a good proportion of the Group's overall turnover.

The spa and beauty business offers a wide range of beauty services, including some that are unique to the Group, supported by well-trained staff and at competitive prices. Because of this, demand has increased in some areas. To cater for this growth, during fiscal 2008 the Group expanded the floor space of 2 of its existing Oasis Beauty outlets and added new equipment and services. This has enabled it to offer customers more comprehensive services and to strengthen its service quality. As a result, Oasis Beauty recorded a very good performance in the year under review.

In Mainland China meanwhile, the Group is still establishing its foothold in the beauty industry. During the year under review, the Group opened the second Oasis Beauty centre in prime retail and commercial location in Beijing, both centres have already built up strong customer bases. The Group is now looking closely at suitable locations for further Oasis Beauty centres in major cities such as Beijing, Shanghai and Guangzhou, in the belief that the China market still has considerable potential for further growth.

Medical Beauty

The Group launched its first Oasis Medical Centre in mid-January 2008, with a remit of providing specialised medical beauty treatment and services. With the Oasis Medical Centre in operation, the Group has now become a truly comprehensive provider of health and beauty products and services. The Medical Centre is manned by a qualified doctor and other professional therapists, and provides advanced and effective procedures to improve the appearance, including laser, IPL, whitening, vein removal, and botox treatments. Though it has only been opened for less than a year, it has quickly gained acceptance and begun to generate a profitable bottom line for the Group.

Prospects

The gloomy economic outlook may affect the Group's retail business in Hong Kong and Taiwan in the coming year, and this is something the Group is prepared for. Mainland China, however, presents a somewhat different picture. Although the growth rate is not expected to be as rapid as last year, continued growth there is nevertheless expected. This is of great value to the Group, as increasingly the bulk of its profits are generated in the Mainland China market. Furthermore, as the Group continues its programme of store-opening in the Mainland, the extra outlets should further boost revenues from its Mainland business in 2009.

Mainland China will remain the Group's key growth driver for the coming year. Expansion plans for the Mainland are going ahead, but the Group is maintaining a high level of flexibility for achieving its goals so that it can react quickly to market changes. While the Group will adopt a prudent approach in keeping its eyes open for possible merger and acquisition targets over the coming year, it will remain ready to pursue opportunities at reasonable prices caused by the market downturn.

RETAIL ACTIVITIES IN MAINLAND CHINA

Expansion on our existing brands will continue in Mainland China, though at a slower rate than has previously been the case as the Group keeps a careful eye on economic growth on the Mainland.

During the year under review, the Group signed a shareholder agreement to form a Joint Venture cosmetics products company in collaboration with a renowned make-up artist. The company, which will be majority owned and operated by the Group, will target a young, mass-market customer base and offer products at very competitive prices. The Group expects operation will commence in the last quarter of the year 2009, and believes that the potential for cosmetics sales on the Mainland is high.

BEAUTY SERVICES IN MAINLAND CHINA

The Group's initial foray into the beauty services industry in Mainland China has proved to be very promising. Given this, expansion into other prime cities seems a sound move, and in the coming year the Group will be looking closely at possible new locations.

OTHERS

Having noted the success of its Collagen 8000 health drink, the Group is planning to launch further food products in the year to come. In addition to a food supplement 'Be Collagen Plus', in tablet form which was launched in November 2008, a diet drink called 'Slim Magic' will be added to the Group's range in May 2009, widening the range of food products currently being sold under the ~H_2O+ brand name.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Ms. YU Lai Si, aged 47, is one of the founders and is the chief executive officer of the Group. Ms. Yu holds a Bachelor's Degree in Business Administration. She started her career in the services industry and then moved to the advertising industry. In 1993, she set up her own distribution business and acted as the sole distributing agent of various well-known international brands of cosmetics and fashion labels. Ms. Yu is primarily responsible for corporate policy formulation, business strategy planning, business development and the overall management of the Group. Ms. Yu is the sister of Ms. Yu Lai Chu, Eileen and Mr. Yu Kam Shui, Erastus.

Mr. TAM Chie Sang, aged 56, is one of the founders of the Group. He started his career in the retail and services industry in 1967 and he once owned and managed a retail jewellery chain. Since 2006, Mr. Tam starts building up his business in catering industry. Mr. Tam first became involved in the cosmetic and skin-care businesses in 1993 and was, together with Ms. Yu Lai Si and Ms. Yu Lai Chu, Eileen, the sole agent for several well-known international brands before the founders set up the Group. Mr. Tam is primarily responsible for the strategic planning of the Group. Mr. Tam is the husband of Ms. Yu Lai Chu, Eileen.

Ms. YU Lai Chu, Eileen, aged 56, is one of the founders of the Group. Ms. Yu started her own realty agency business in 1984 and she managed a retail jewellery chain with Mr. Tam Chie Sang. In 1993, she entered into the cosmetic and skin-care market. Ms. Yu, Mr. Tam Chie Sang and Ms. Yu Lai Si acted as the sole distributing agent of a number of well-known international brands of cosmetics. She is primarily responsible for the business development of the Group with particular emphasis on the spa business. Ms. Yu is the sister of Ms. Yu Lai Si and Mr. Yu Kam Shui, Erastus and is the wife of Mr. Tam Chie Sang.

Mr. YU Kam Shui, Erastus, aged 58, is one of the founders of the Group and the founder of the Group's Taiwan operations. He holds a Bachelor's Degree in Business Administration from the University of Hawaii. Mr. Yu started his career in trading in the United States in 1993. In 1999, he set up Water Babe Company Limited, through which the Group's Taiwan operations are run, and was the managing director of that company until January 2001. Mr. Yu is primarily responsible for the business development of the Group. Mr. Yu is the brother of Ms. Yu Lai Chu, Eileen and Ms. Yu Lai Si and is Ms. Lai Yin Ping's husband.

Ms. LAI Yin Ping, aged 53, is one of the founders of the Group. She holds a Bachelor's Degree in Arts with Economics as her major. Prior to founding the Group in May 1998, she co-founded a trading business with Mr. Yu Kam Shui, Erastus in the United States in 1993. Ms. Lai is primarily responsible for the strategic planning of the Group. Ms. Lai is the wife of Mr. Yu Kam Shui, Erastus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Lung Tak, Patrick, J.P., aged 60, is an independent non-executive director. Dr. Wong is a Practising Certified Public Accountant and is the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Among his qualifications, he obtained a Doctor of Philosophy in Business in 2000, awarded a Badge of Honour in 1993 by the Queen of England and appointed a Justice of the Peace in 1998. Dr. Wong involves in many other community services, holding posts in various organisations and committees in government and voluntary agencies.

Mr. WONG Chun Nam, aged 55, is an independent non-executive director. Mr. Wong is a partner of Ho, Wong & Wong Solicitors & Notaries, practicing commercial, corporate and tax law. Mr. Wong has been a practicing solicitor in Hong Kong since 1982 and is also a Notary Public, a Chartered Secretary, an associate of the Taxation Institute of Hong Kong, and a member of the Chartered Institute of Arbitrators. He participates in many community services including being a member of the Quality Education Fund Steering Committee.

Dr. WONG Chi Keung, aged 53, is an independent non-executive director. Dr. Wong holds a Doctorate Degree in Business and is a member of the Hong Kong Institute of Housing and Chartered Institute of Housing and a fellow of the Hong Kong Institute of Real Estate Administrators. He is an honorary fellow of Quangxi Academy of Social Science as well as a member of the Chinese People's Political Consultative Conference, Nanning City, Guangxi, the People's Republic of China, and vice chairman of Hong Kong Auxiliary Medical Services Officers' Club. Dr. Wong has also held various senior executive positions with some of Hong Kong's leading property companies.

SENIOR MANAGEMENT

Mr. AU Moon Ying, Henry, aged 42, is the Chief Financial Officer of the Group. Prior to joining the Group since March 2007, Mr. Au has over 20 years of financial management, accounting, auditing, business planning and development experiences in various blue-chip listed companies and in an international accounting firm. He holds a Master Degree in Business Administration and a Bachelor Degree of Arts (Hons.) majoring in Accountancy. Mr. Au is a Chartered Accountant of England and Wales, a Practicing Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants as well as an associate of the Institute of Canadian General Accountants.

Ms. CHIEN I-Chi, Vicky, aged 41, is the General Manager of the Group's operation in Taiwan. Ms. Chien holds a MBA and a Bachelor's Degree in Mass Communications. Prior to joining the Group in 2006, Ms. Chien has over 10 years' experience in the cosmetic and beauty industry, with key job scope spanning over general management, operations, marketing, advertising, training and customer service. Before that, she has also worked for various global advertising agencies.

Ms. CHOW Wai Yan, Elsa, aged 35, is the Marketing Director of the Group. Ms. Chow holds a Bachelor of Science Degree and is responsible for overseeing marketing, advertising and promotion functions for the Group. Ms. Chow has more than 10 years of experience in these areas. Prior to joining the Group in May 2002, Ms. Chow worked for various reputable advertising agencies and had served a number of international FMCG corporate clients.

Mr. HO Fai Man, Patrick, aged 40, is the General Manager overseeing the Group's operations in Mainland China since 2002. Mr. Ho holds a Bachelor's Degree in Accounting and is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has more than 16 years' experience in auditing, finance, accounting and business development areas in international accounting firm, multinational corporations and Hong Kong listed companies. Mr. Ho joined the Group in 2002.

Ms. NIP Pui Que, Phoebe, aged 44, is the Operations Manager overseeing the beauty centres' operations in Hong Kong. Ms. Nip holds a diploma in beauty therapy and has more than 15 years' sales and management experience working for a number of well-known beauty and fitness chain centres. Ms. Nip joined the Group in 2000.

Mr. TAM Siu Kei, Alan, aged 31, is the Group's Operations Manager. Joining the Group in 1999, Mr. Tam is currently in charge of retail operations of the ~H_2O+ brand in Hong Kong and Singapore as well as overseeing the operations of spa and beauty centres in Hong Kong. Mr. Tam holds a Bachelor of Arts Degree in Contemporary English Language. Mr. Tam is the son of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen, both are directors of the Company.

Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Company Annual Report for the year ended 30th September 2008.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") promulgated the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") which sets out the corporate governance principles ("Principles") and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply.

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the Code Provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 30th September 2008.

CODE PROVISION A.2.1

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", whereas Ms. Yu Lai Si, the Chief Executive Officer of the Group, has been carrying out the duties of both the Chairman and Chief Executive Officer since the establishment of the Group and the Company. The Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

CODE PROVISION A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association.

BOARD OF DIRECTORS

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Presently the Company Secretary is responsible to ensure that all directors are properly briefed, either by her or by members of the Company's senior management, on issues arising at Board meetings. The Board delegates the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the Company Secretary, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expense.

BOARD COMPOSITION

The Board currently comprises five executive directors and three independent non-executive directors from different business and professional fields. The profiles of each director are set out in the "Directors and Senior Management" section in this Annual Report. The directors, including the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board is responsible for selection and approval of candidates for appointment as directors to the Board. Accordingly, the Company has not established a Nomination Committee for the time being.

The Company has received annually a confirmation from each of the independent non-executive directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Company has arranged Directors' and Officers' Liability Insurance for the directors and officers of the Company.

BOARD AND BOARD COMMITTEE MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings are held at regular intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Excluding the Board meeting for options approval, the Board met four times during the year ended 30th September 2008.

PRACTICES AND CONDUCT OF MEETINGS

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors.

The attendance of individual members of the Board and other Board Committees meetings during the year ended 30th September 2008 is set out in the table below:

	Meetings attended/held						
Directors	Full Board	Board for Options Approval	Executive Board*	Audit Committee	Remuneration Committee	Investment Advisory Committee	AGM
Executive Directors							
YU Lai Si	2/2	5/5	2/2			1/1	1/1
TAM Chie Sang	2/2	5/5	2/2				1/1
YU Lai Chu, Eileen	2/2		2/2				1/1
YU Kam Shui, Erastus	2/2		2/2				1/1
LAI Yin Ping	2/2		2/2				1/1
Independent Non-executive Directors							
WONG Lung Tak, Patrick, J.P.	2/2			2/2	1/1	1/1	1/1
WONG Chun Nam	2/2			2/2	1/1	1/1	1/1
WONG Chi Keung	2/2			2/2	1/1	1/1	1/1

* *comprises all executive directors of the Company*

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Investment Advisory Committee. Independent non-executive directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

AUDIT COMMITTEE

The Audit Committee comprises all of the three independent non-executive directors and is chaired by Dr. Wong Lung Tak, Patrick, J.P., a qualified accountant with extensive experience in financial reporting and controls. It is responsible for appointment of external auditor, review of the Group's financial information, oversee of the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to the Company's external auditor. Its terms of reference are available on request.

During the year ended 30th September 2008, two meetings were held by the Audit Committee. At the meetings, it reviewed the final results for 2007 and the interim results for 2008 respectively with the external auditors and also the activities of the Group's internal control functions.

It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

REMUNERATION COMMITTEE

To comply with the CG Code, a Remuneration Committee was established on 26th June 2006. The members of the Remuneration Committee comprises all independent non-executive directors of the Company and the Group's Human Resources Director, Ms. Lau Mei Yin, Ivy, and is chaired by Mr. Wong Chun Nam.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee shall meet at least once every year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters.

During the year ended 30th September 2008, one Remuneration Committee meeting was held.

INVESTMENT ADVISORY COMMITTEE

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15th November 2007. The members of the Investment Advisory Committee comprises all independent non-executive directors of the Company and Ms. Yu Lai Si, executive director and chief executive officer of the Company, and is chaired by Dr. Wong Chi Keung.

The objectives of this Committee are to set guidelines on the portfolio mix of the Group's investments for the daily execution of investment decisions and monitoring of the investment portfolio. The Committee meet and review the investment directions and the portfolio mix as well as evaluating the performance of the investment portfolio.

During the year ended 30th September 2008, one Investment Advisory Committee meeting was held.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been re-appointed as the independent auditor of the Company by Shareholders at the last Annual General Meeting.

The remuneration paid or payable to the Group's independent auditor, Deloitte Touche Tohmatsu, and its affiliated firms, for services rendered is broken down below:

(In HK$'000)	2008
Statutory audit	**1,307**
Non-audit services	**381**
Total	**1,688**

The non-audit services mainly comprised tax advisory and interim review services.

The responsibilities of the independent auditor with respect to the 2008 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 26 to 27.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board, with the assistance of Mark K. Lam & Co., assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 30th September 2008. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the year.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

Directors' Report

The directors present their Annual Report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30th September 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the distribution of ~H_2O+ brand skin-care products in Hong Kong, Macau, Taiwan, Mainland China and Singapore as well as the distribution of Neutrogena and Yves Rocher brands skin-care products in Mainland China. Certain of its principal subsidiaries also engaged in the operation of spa and beauty centres in Hong Kong under the brand names "Oasis Spa", "Oasis Beauty", "Aqua Beauty" and "Oasis Homme", which offer wide varieties of beauty and massage services. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

Details of the Company's principal subsidiaries at 30th September 2008 are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September 2008 are set out in the consolidated income statement on page 28.

The directors recommended a final dividend of 9.5 HK cents per share and a special dividend of 2.0 HK cents per share (collectively the "Final Dividend") for the year ended 30th September 2008 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 6th March 2009. Subject to the passing of the relevant resolution at the forthcoming Annual General Meeting, the Final Dividend will be payable on 18th March 2009.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September 2008 are set out in note 26 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group are set out in note 27 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group revalued its investment properties as at 30th September 2008 on an open market value basis. Details of which are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

PREPAID LEASE PAYMENTS

Details of prepaid lease payments of the Group are set out in note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

DIRECTORS AND DIRECTORS' SERVICES AGREEMENTS

The directors of the Company who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

YU Lai Si
TAM Chie Sang
YU Lai Chu, Eileen
YU Kam Shui, Erastus
LAI Yin Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS:

WONG Lung Tak, Patrick, J.P.
WONG Chun Nam
WONG Chi Keung

In accordance with Articles 87(1) and (2) of the Company's articles of association and Code Provision set out in the CG Code, Yu Lai Si, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping would retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company considers that Wong Lung Tak, Patrick, J.P., Wong Chun Nam and Wong Chi Keung are independent pursuant to the criteria set out in the Listing Rules and that confirmations of independence have been received from each of them.

All directors of the Company are subject to retirement by rotation as required by the Company's articles of association and Code Provisions set out in the CG Code.

Each of the executive directors has entered into a service agreement with the Company. Each agreement is for a period of three years commencing on 1st October 2001 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' prior notice in writing.

Except for the above, none of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company or any of the subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2008, the interests or short positions of the directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares: Personal interests	Corporate interests	Family interests	Other interests	Total	Percentage of issued share capital
Yu Lai Si	The Company	Beneficial owner	80,056,880 ordinary	–	–	–	80,056,880 ordinary	21.9%
	Water Oasis Company Limited	Beneficial owner	330,000 non voting deferred	–	–	–	330,000 non voting deferred	–
Tam Chie Sang	The Company	Beneficial owner, interest of spouse and interest of a controlled corporation	3,000,000 ordinary	–	2,980,000 ordinary(2)	77,666,880 ordinary(1)	83,646,880 ordinary	22.8%
	Water Oasis Company Limited	Beneficial owner and interest of spouse	165,000 non voting deferred	–	165,000 non voting deferred(2)	–	330,000 non voting deferred	–
Yu Lai Chu, Eileen	The Company	Beneficial owner, interest of spouse and interest of a controlled corporation	2,980,000 ordinary	–	3,000,000 ordinary(3)	77,666,880 ordinary(1)	83,646,880 ordinary	22.8%
	Water Oasis Company Limited	Beneficial owner and interest of spouse	165,000 non voting deferred	–	165,000 non voting deferred(3)	–	330,000 non voting deferred	–

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares: Personal interests	Corporate interests	Family interests	Other interests	Total	Percentage of issued share capital
Yu Kam Shui, Erastus	The Company	Beneficial owner and interest of spouse	2,000,000 ordinary	–	3,000,000 ordinary(4)	–	5,000,000 ordinary	1.4%
Lai Yin Ping	The Company	Beneficial owner and interest of spouse	3,000,000 ordinary	–	2,000,000 ordinary(5)	–	5,000,000 ordinary	1.4%
Wong Lung Tak, Patrick, J.P.	The Company	Beneficial owner	600,000 ordinary	–	–	–	600,000 ordinary	0.2%
Wong Chun Nam	The Company	Beneficial owner	600,000 ordinary	–	–	–	600,000 ordinary	0.2%

Notes:

(1) These shares are registered in the name of Zinna Group Limited, a company incorporated in Hong Kong. All voting rights over Zinna Group Limited are held by Royalion Worldwide Limited, a British Virgin Islands company which is 51% owned by Tam Chie Sang and 49% owned by his spouse Yu Lai Chu, Eileen, both are directors of the Company.

(2) These shares are registered in the name of Yu Lai Chu, Eileen, the wife of Tam Chie Sang.

(3) These shares are registered in the name of Tam Chie Sang, the husband of Yu Lai Chu, Eileen.

(4) These shares are registered in the name of Lai Yin Ping, the wife of Yu Kam Shui, Erastus.

(5) These shares are registered in the name of Yu Kam Shui, Erastus, the husband of Lai Yin Ping.

Other than aforesaid and as disclosed under the section headed "Share Options" below, there were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

As at 30th September 2008, save as disclosed therein, none of the directors, chief executives or any of their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations 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 to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

Movements in the Company's share options during the year are as follows:

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1st October 2007	Granted	Exercised	Cancelled/ Lapsed	Balance as at 30th September 2008
Directors								
Yu Lai Si	28th January 2004	3rd May 2004 – 31st January 2009	0.42	3,000,000	–	–	–	3,000,000
Tam Chie Sang	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
Yu Lai Chu, Eileen	28th January 2004	3rd May 2004 – 31st January 2009	0.42	500,000	–	500,000	–	–
Yu Kam Shui, Erastus	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
Lai Yin Ping	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
				8,000,000	–	5,000,000	–	3,000,000
Supplier								
H_2O Plus, L.P.	11th March 2002	11th March 2002 – 10th March 2012	1.18	3,264,000	–	3,264,000	–	–
	12th March 2003	12th March 2003 – 11th March 2013	0.54	976,000	–	976,000	–	–
				4,240,000	–	4,240,000	–	–
Employees (In aggregate)								
	28th January 2004	3rd May 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	1st November 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	2nd May 2005 – 31st January 2009	0.42	260,000	–	100,000	–	160,000
				580,000	–	100,000	–	480,000

In general, the employees may exercise one-third of each of their respective share options within six months, twelve months and eighteen months from the date of grant.

The directors do not consider it is appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

As at the date of this Annual Report, the options to subscribe for a maximum of approximately 3.5 millions shares in the Company in aggregate have been fully subscribed by a director and an employee pursuant to the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2008, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or, who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

LONG POSITION IN THE SHARES

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of voting power
Zinna Group Limited(1)	Interest of a controlled corporation	77,666,880	21.2%
Advance Favour Holdings Limited(2)	Interest of a controlled corporation	38,833,440	10.6%
Billion Well Holdings Limited(3)	Interest of a controlled corporation	38,833,440	10.6%

Notes:

(1) Zinna Group Limited is a company incorporated in Hong Kong. All of its voting rights are held by Royalion Worldwide Limited, a British Virgin Islands company which is 51% owned by Tam Chie Sang and 49% owned by his spouse, Yu Lai Chu, Eileen, both are directors of the Company.

(2) Advance Favour Holdings Limited is a British Virgin Islands company beneficially owned by Lai Yin Ling, sister of Lai Yin Ping, a director of the Company.

(3) Billion Well Holdings Limited is a British Virgin Islands company beneficially owned by Lai Yin Ling, sister of Lai Yin Ping, a director of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year which required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September 2008, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 93% of the Group's purchase. Whereas the aggregate turnover attributable to the Group's five largest customers was less than 1% of the Group's turnover.

DISTRIBUTABLE RESERVES

As at 30th September 2008, distributable reserves of the Company amounted to approximately HK$50.8 millions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position remained very strong. Its cash and bank deposits as at 30th September 2008 amounted to approximately HK$141.4 millions (2007: HK$161.9 millions). The Group generally finances its operation with internally generated resources.

The gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$189.4 millions, is approximately 24% (2007: Nil).

The Group continues to follow the practice of prudent cash management. During the year, the Group's management adopts a balanced approach on financial risk management with some of the cash reserves placed in structured deposits in addition to fixed bank deposits.

The Group has little exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territory and United States Dollars. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2008, the Group employed 1,680 staff (2007: 1,401). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Options to subscribe for a maximum of approximately 3.5 millions shares in the Company in aggregate had been granted and are outstanding as at 30th September 2008 to a director and an employee pursuant to the Company's share option scheme. Exercise price of which is HK$0.42.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30th September 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there is no restriction against such rights under the Companies Law of the Cayman Islands.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the financial period, the amount of public float as required under the Listing Rules.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the financial year ended 30th September 2008 with the Code of Best Practice set out in Appendix 14 to the Listing Rules except for those as detailed in the Corporate Governance Report set out in this Annual Report.

AUDIT COMMITTEE

The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, J.P., Mr. Wong Chun Nam and Dr. Wong Chi Keung who are the independent non-executive directors of the Company. In establishing the terms of reference for this committee, the directors had made reference to the "Guide for the formation of an audit committee" issued by the Hong Kong Institute of Certified Public Accountants in December 1997.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 30th September 2008 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Annual Report.

AUDITOR

The accompanying consolidated financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

On Behalf of the Board

YU Lai Si
Executive Director and Chief Executive Officer

Hong Kong, 15th January 2009

Independent Auditor's Report

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF WATER OASIS GROUP LIMITED
奧思集團有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Water Oasis Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 75, which comprise the consolidated balance sheet as at 30th September 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30th September 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 15th January 2009

Consolidated Income Statement

	Note	2008 HK$'000	2007 HK$'000
		FOR THE YEAR ENDED 30TH SEPTEMBER	
Turnover	6	**846,569**	593,358
Purchases and changes in inventories of finished goods		**(193,002)**	(131,485)
Other revenues	6	**3,439**	4,117
Staff costs	11	**(223,969)**	(178,040)
Depreciation of property, plant and equipment		**(22,507)**	(22,293)
Other expenses		**(310,239)**	(212,914)
Profit before taxation		**100,291**	52,743
Taxation	7	**(22,123)**	(10,176)
Profit for the year	8	**78,168**	42,567
Attributable to:			
Equity holders of the Company		**71,237**	40,723
Minority interests		**6,931**	1,844
		78,168	42,567
Dividends	9	**79,107**	53,825
Earnings per share			
Basic	10	**19.7 HK cents**	11.7 HK cents
Diluted	10	**19.5 HK cents**	11.5 HK cents

Consolidated Balance Sheet

	Note	2008 HK$'000	2007 HK$'000
		AS AT 30TH SEPTEMBER	
Non-current assets			
Intangible assets	13	**1,125**	1,063
Investment properties	14	**33,700**	29,300
Property, plant and equipment	15	**43,905**	26,104
Prepaid lease payments	16	**75,452**	–
Rental deposits and prepayments	17	**17,175**	14,838
Goodwill	18	**966**	–
Deferred tax assets	29	**4,418**	4,261
Financial assets at fair value through profit or loss	20	**17,328**	9,525
		194,069	85,091
Current assets			
Inventories	19	**65,941**	49,556
Prepaid lease payments	16	**90**	–
Financial assets at fair value through profit or loss	20	**4,203**	10,538
Trade receivables	21	**73,312**	58,049
Prepayments		**26,654**	20,962
Other deposits and receivables		**16,078**	13,859
Tax recoverable		**–**	52
Bank balances and cash	22	**141,423**	161,915
		327,701	314,931
Current liabilities			
Trade payables	23	**11,898**	3,027
Accruals and other payables		**86,329**	76,496
Receipts in advance	24	**170,242**	140,161
Secured mortgage loan – due within one year	25	**2,529**	–
Tax payable		**17,744**	9,674
		288,742	229,358
Net current assets		**38,959**	85,573
Total assets less current liabilities		**233,028**	170,664
Capital and reserves			
Share capital	26	**36,608**	35,674
Reserves	27	**144,053**	131,507
Equity attributable to equity holders of the Company		**180,661**	167,181
Minority interests		**8,715**	2,597
Total equity		**189,376**	169,778
Non-current liabilities			
Pension obligations	28	**407**	473
Secured mortgage loan – due after one year	25	**42,265**	–
Deferred tax liabilities	29	**980**	413
		233,028	170,664

TAM Chie Sang
Executive Director

YU Lai Si
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 30th September 2007

	Note	Attributable to equity holders of the Company Share Capital HK$'000	Reserves HK$'000	Total HK$'000	Minority Interests HK$'000	Total HK$'000
At 1st October 2006		34,242	117,163	151,405	847	152,252
Exchange differences arising from translation of overseas operations recognised directly in equity		–	3,129	3,129	–	3,129
Profit for the year		–	40,723	40,723	1,844	42,567
Total recognised income for the year		–	43,852	43,852	1,844	45,696
Issue of shares upon exercise of share options		1,432	5,588	7,020	–	7,020
Dividends paid	27	–	(35,096)	(35,096)	–	(35,096)
Dividends paid to a minority shareholder		–	–	–	(94)	(94)
		1,432	(29,508)	(28,076)	(94)	(28,170)
At 30th September 2007		35,674	131,507	167,181	2,597	169,778

For the year ended 30th September 2008

	Note	Attributable to equity holders of the Company Share Capital HK$'000	Reserves HK$'000	Total HK$'000	Minority Interests HK$'000	Total HK$'000
At 1st October 2007		**35,674**	**131,507**	**167,181**	**2,597**	**169,778**
Exchange differences arising from translation of overseas operations recognised directly in equity		**–**	**8,513**	**8,513**	**–**	**8,513**
Profit for the year		**–**	**71,237**	**71,237**	**6,931**	**78,168**
Total recognised income for the year		**–**	**79,750**	**79,750**	**6,931**	**86,681**
Acquisition of a subsidiary	**31**	**–**	**–**	**–**	**196**	**196**
Issue of shares upon exercise of share options	**26**	**934**	**5,587**	**6,521**	**–**	**6,521**
Capital contribution from minority shareholders of subsidiaries		**–**	**–**	**–**	**79**	**79**
Dividends paid	**27**	**–**	**(72,791)**	**(72,791)**	**–**	**(72,791)**
Dividends payable to a minority shareholder		**–**	**–**	**–**	**(1,088)**	**(1,088)**
		934	**(67,204)**	**(66,270)**	**(813)**	**(67,083)**
At 30th September 2008		**36,608**	**144,053**	**180,661**	**8,715**	**189,376**

Consolidated Cash Flow Statement

	Note	FOR THE YEAR ENDED 30TH SEPTEMBER 2008 HK$'000	2007 HK$'000
Operating activities			
Cash generated from operations	30	**148,803**	76,036
Hong Kong Profits Tax paid		**(4,480)**	–
Overseas tax paid		**(9,629)**	(2,835)
Net cash from operating activities		**134,694**	73,201
Investing activities			
Increase of intangible assets		**(527)**	(785)
Purchase of property, plant and equipment		**(38,915)**	(14,272)
Proceeds from disposal of property, plant and equipment		**381**	10
Purchase of prepaid lease payments		**(75,550)**	–
Purchase of financial assets at fair value through profit or loss		**(41,060)**	(78,262)
Proceeds on disposal of financial assets at fair value through profit or loss		**17,397**	75,360
Acquisition of a subsidiary	31	**(1,029)**	–
Interest received on bank deposits		**1,495**	2,158
Dividends received from listed investments		**290**	45
Net cash used in investing activities		**(137,518)**	(15,746)
Financing activities			
Repayment of secured mortgage loan		**(206)**	–
Proceeds from exercise of share options		**6,521**	7,020
Secured mortgage loan raised		**45,000**	–
Dividends paid to a minority shareholder of a subsidiary		**–**	(94)
Dividends paid	27	**(72,791)**	(35,096)
Interest paid		**(91)**	–
Capital contribution from minority shareholders of subsidiaries		**79**	–
Net cash used in financing activities		**(21,488)**	(28,170)
Net (decrease)/increase in cash and cash equivalents		**(24,312)**	29,285
Cash and cash equivalents at beginning of the year		**161,915**	130,293
Effect of foreign exchange rate changes		**3,820**	2,337
Cash and cash equivalents at end of the year, represented by bank balances and cash		**141,423**	161,915

Notes to the Consolidated Financial Statements

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Water Oasis Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 27th September 2001 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the Annual Report. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11th March 2002.

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution of skin-care products in Hong Kong, Macau, Taiwan, Singapore and Mainland China and the operation of spa and beauty centres in Hong Kong and Mainland China.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$") which is the same as the functional currency of the Company. These consolidated financial statements have been approved for issue by the Board of Directors on 15th January 2009.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

(a) Basis of Preparation and Impact of New and Revised Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss and investment properties are stated at fair value.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in 2007.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In the current year, the Group has applied, for the first time, a number of new standards, amendments, and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1st October 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKAS 39 & HKFRS 7 (Amendment)	Reclassification of Financial Assets
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Other than the above, the adoption of the new HKFRSs have had no material effect on how the results and financial position of the Group for the current or prior financial years have been prepared and presented. Accordingly, no prior year adjustment is required. Certain comparative figures have been reclassified to conform to current year's presentation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of Preparation and Impact of New and Revised Hong Kong Financial Reporting Standards (Continued)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's financial years beginning on or after 1st October 2008 or later periods. The Group has already commenced an assessment of their impact when they become effective and does not expect this will result in substantial changes to the Group's principal accounting policies.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30th September.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Business Combinations

The acquisition of businesses is accounted for using the purchase method. Cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill arising from an acquisition of a business represents the cost of acquisition over the Group's interest at fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising from an acquisition of a business is presented separately in the consolidated balance sheet as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising from an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(e) Foreign Currency Translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in consolidated income statement in the period in which the foreign operation is disposed of.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies within the Group, is classified as investment property.

Investment property includes land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement in the period in which they arise.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of leasehold improvements is calculated to write off their costs less accumulated impairment losses on a straight-line basis over the unexpired periods of the leases.

Depreciation of other property, plant and equipment is calculated to write off their costs less accumulated impairment losses on a straight-line basis over their estimated useful lives to the Group after taking into account of the estimated residual value. The principal annual rates used for this purpose are as follows:

Building	Over the remaining lease terms
Motor vehicles	20% to $33^1/_3$%
Computer equipment	$33^1/_3$%
Machinery and equipment	20%
Office equipment, furniture and fixtures	20% to $33^1/_3$%

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

Major costs incurred in restoring property, plant and equipment to their normal working conditions are charged to the consolidated income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, Plant and Equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(h) Intangible Assets

Expenditure on acquiring licenses for sale of products is carried at cost less amortisation and any accumulated impairment losses. Amortisation for intangible assets is provided on a straight-line method over the license period.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(i) Impairment

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Financial Instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised using effective interest method except for those financial assets at fair value through profit or loss of which interest income is included in net gains or losses in fair value.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial assets are designated as at fair value through profit or loss upon initial recognition of which:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in consolidated income statement in the period in which they arise. The net gain or loss recognised in consolidated income statement excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including rental deposits, trade receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated income statement.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through consolidated income statement to the extent that the carrying amount of the asset at the date the reversed impairment does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised using effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (Continued)

Financial liabilities

Financial liabilities including trade payables, other payables and secured mortgage loan are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents invoiced value on purchases and is calculated on a weighted-average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(m) Deferred Taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and corresponding tax base 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

(n) Employee Benefits

(i) Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension Obligations

The Group's subsidiaries in Hong Kong and Mainland China participate in relevant defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made to these schemes based on a certain percentage of the applicable payroll costs. The contributions are expensed when employees have rendered services entitling them to the contributions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Employee Benefits (Continued)

(ii) Pension Obligations (Continued)

The Group's subsidiary in Taiwan participates in a defined benefit pension plan for employees who joined before 1st July 2005 in accordance with the local statutory regulations. Pension costs are determined using the projected unit credit method with actuarial valuation being carried out at each balance sheet date. The pension obligations are measured as the present value of the estimated future cash outflows using discount rate based on the rate of return on high-quality fixed-income investments in Taiwan which have terms to maturity approximating the terms of the related liability as adjusted for unrecognised actuarial gains or losses and unrecognised past service cost and as reduce by the fair value of plan assets. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's pension obligations and fair value of plan assets are amortised over the expected average remaining service lives of employees. Past service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested. The contributions are charged to the consolidated income statement in the period to which the contributions relate.

(iii) Share-based Compensation

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

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

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods 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 the title has passed.

Receipts from the sale of gift coupons are recorded as liabilities. Such receipts are recognised as sales when the coupons are redeemed for products or as income upon the coupon expiry date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Revenue Recognition (Continued)

Revenue from rendering of services is recognised when the services are rendered. Fees received in advance for prepaid packages are recorded as liabilities and are recognised on a systematic basis in accordance with service usage. Upon expiry of prepaid packages, the corresponding receipts in advance are fully recognised as income.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

(q) Interest Income

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

(r) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the leasing company are charged to the consolidated income statement on a straight-line basis over the lease periods.

(s) Leasehold Land and Building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Entity's Accounting Policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

(a) Revenue Recognition

Revenue from rendering of services is recognised when the services are rendered and sale of gift coupons are recognised when the coupons are redeemed for products, at its fair value. In determining the fair value of the consideration, the Group considered the measurement of revenue as set out in HKAS 18 "Revenue", which have taken into reference the historical experience of the actual forfeiture on the prepaid packages and the coupons. The turnover recognised will change when the actual forfeiture is different to the estimated amount adopted by the management.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key Source of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of Assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Depreciation

The Group's carrying value of leasehold improvements as at 30th September 2008 was approximately HK$20.8 million. The Group's management determines the estimated useful lives basing on historical experiences of the actual useful lives of property, plant and equipment of similar nature, functions and the likelihood of renewal of the relevant leases and to depreciate these assets accordingly. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charge where useful lives are less than previous estimated useful lives.

(c) Estimate of Fair Value of Investment Properties

The fair value of investment properties has been determined with reference to independent valuations. The best evidence of fair value is current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional surveyor to determine the open market values for the investment properties of the Group. These valuations require the use of judgement and estimates.

(d) Estimate of Fair Value of Financial Assets at Fair Value through Profit or Loss

The fair value of the Group's financial assets at fair value through profit or loss has been determined based on the marked-to-market valuation provided by the relevant banks. Such valuation involves variables and estimates about future events which may not happen as predicted.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that its subsidiaries will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of secured mortgage loan and equity attributable to equity holders of the Company, comprising share capital, share premium, exchange reserve, capital reserve, capital redemption reserve, statutory fund reserve and retained profits as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues, as well as issue of new debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
At fair value through profit or loss		
Equity securities listed in Hong Kong	**–**	5,439
Structured deposits held at banks	**21,531**	14,624
Loans and receivables (including cash and cash equivalents)	**236,954**	235,470
Financial liabilities		
Amortised cost	**64,123**	17,520

(b) Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade receivables, other receivables, bank balances, trade payables, other payables and secured mortgage loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

As at 30th September 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, including rental deposits, trade receivables, other receivables and bank balances on the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers. A large portion of the Group's turnover are cash or credit card sales. In addition, the Group also manage its credit risk by performing regular reviews of the aging profile of trade receivables.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Market risk

Currency risk

The functional currencies of the Group's principal subsidiaries are either Hong Kong Dollars or Renminbi ("RMB"). While most of the Group's operations are transacted in the functional currencies of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign exchange exposure.

The Group's monetary liabilities denominated in currencies other than the functional currency of relevant group entities were mainly United States Dollars ("US$"). For monetary liabilities held by group entities with their functional currency in Hong Kong Dollars, the currency risk is minimal as Hong Kong Dollars is pegged to United States Dollars. The carrying amounts of the Group's United States Dollars monetary liabilities held by group entities with their functional currency in Renminbi were as follows:

	Liabilities	
	2008 **HK$'000**	2007 HK$'000
United States Dollars	**–**	402

Sensitivity analysis

If there was a 5% increase in Renminbi against United States Dollars and all other variables were held constant, there would have no effect on the Group's profit for the year ended 30th September 2008 (2007: HK$20,000) and vice versa.

Cash flow interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and secured mortgage loan. Bank balances and secured mortgage loan at variable rates expose the Group to cash flow interest rate risk. Details of the Group's bank balances and secured mortgage loan are disclosed in notes 22 and 25 respectively. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The management considers the interest rate risk arising on financial instruments is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Best Lending Rate as set out in the note 25.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Market risk (Continued)

Sensitivity analysis

The following is an analysis of the Group's assets and liabilities that carried variable interest rates at the balance sheet dates.

	2008 HK$'000	2007 HK$'000
Assets	**107,145**	121,338
Liabilities	**44,794**	–

On the basis of the above analysis and assuming the amounts of assets and liabilities outstanding at the balance sheet date were outstanding for the whole year, the Group's profit for the year ended 30th September 2008 would increase by HK$312,000 (2007: HK$607,000) and vice versa if interest rates had been 50 basis points higher and all other variables were held constant. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Price risk on structured deposits

The Group is exposed to price risk through its investments in structured deposits. Management manages the exposure by establishing an Investment Advisory Committee.

Sensitivity analysis

If the fair value had been 5% higher and all other variables were held constant, the Group's profit for the year ended 30th September 2008 would increase by the HK$976,000 (2007: HK$731,000) and vice versa.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured mortgage loan and ensures compliance with relevant covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 to less than 5 years HK$'000	5 years or more HK$'000	Total undiscounted cash flows HK$'000	Carrying amount as at 30th September 2008 HK$'000
2008								
Non-derivative financial liabilities								
Trade payables	**–**	**10,349**	**1,549**	**–**	**–**	**–**	**–**	**11,898**
Other payables	**–**	**7,431**	**–**	**–**	**–**	**–**	**–**	**7,431**
Secured mortgage loan								
– variable rates	**2.4**	**210**	**418**	**1,901**	**10,741**	**31,524**	**–**	**44,794**
		17,990	**1,967**	**1,901**	**10,741**	**31,524**	**–**	**64,123**

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 to less than 5 years HK$'000	5 years or more HK$'000	Total undiscounted cash flows HK$'000	Carrying amount as at 30th September 2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade payables	–	3,027	–	–	–	–	–	3,027
Other payables	–	14,493	–	–	–	–	–	14,493
		17,520	–	–	–	–	–	17,520

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

The fair value of financial assets designated at fair value through profit or loss are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks using designated valuation technique.

The fair value of other financial assets and financial liabilities are determined in accordance with discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in (i) the retail sales of skin-care products, (ii) provision of services in beauty salon, spa and other businesses. Revenues recognised during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Turnover		
Sales of goods	**600,840**	415,794
Rendering of services	**245,729**	177,564
	846,569	593,358
Other revenues		
Interest income on bank deposits	**1,495**	2,158
Rental income from investment properties	**1,293**	964
Dividend income from listed investments	**290**	45
Others	**361**	950
	3,439	4,117
Total	**850,008**	597,475

6. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (Continued)

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Primary Reporting Format – Business Segments

	Retail		Services		Elimination		Group	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Sales to external customers	**600,840**	415,794	**245,729**	177,564	**–**	–	**846,569**	593,358
Inter-segment sales	**22,680**	25,825	**–**	–	**(22,680)**	(25,825)	**–**	–
Total	**623,520**	441,619	**245,729**	177,564	**(22,680)**	(25,825)	**846,569**	593,358
Segment results	**110,280**	55,942	**50,862**	25,268	**–**	–	**161,142**	81,210
Other revenues							**3,439**	4,117
Unallocated corporate expenses							**(64,290)**	(32,584)
Profit before taxation							**100,291**	52,743
Taxation							**(22,123)**	(10,176)
Profit for the year							**78,168**	42,567

6. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

	Retail		Services		Group	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
ASSETS						
Segment assets	**289,492**	244,448	**81,899**	90,826	**371,391**	335,274
Unallocated assets					**150,379**	64,748
Total assets					**521,770**	400,022
LIABILITIES						
Segment liabilities	**88,480**	84,601	**171,196**	133,235	**259,676**	217,836
Unallocated liabilities					**72,718**	12,408
Total liabilities					**332,394**	230,244
OTHER INFORMATION						
Depreciation of property, plant and equipment	**14,517**	12,794	**7,990**	9,499	**22,507**	22,293
Amortisation of intangible assets	**465**	238	**–**	–	**465**	238
Amortisation of prepaid lease payments	**8**	–	**–**	–	**8**	–
Capital expenditures	**102,041**	10,810	**12,951**	4,247	**114,992**	15,057

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditures comprise additions to intangible assets, property, plant and equipment and prepaid lease payments.

6. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (Continued)

Secondary Reporting Format – Geographical Segments

	Turnover		Capital expenditures		Total assets	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong and Macau	**365,942**	297,783	**97,779**	3,906	**148,367**	188,181
Mainland China	**428,814**	244,313	**16,242**	10,071	**201,785**	123,785
Taiwan	**43,168**	42,897	**964**	672	**18,187**	19,571
Singapore	**8,645**	8,365	**7**	408	**3,052**	3,737
	846,569	593,358	**114,992**	15,057	**371,391**	335,274
Unallocated assets					**150,379**	64,748
					521,770	400,022

In respect of geographical segment reporting, sales are reported based on the countries/places in which the customers are located. Segment assets and capital expenditures are reported where the assets are located.

7. TAXATION

	2008 HK$'000	2007 HK$'000
Current taxation		
Hong Kong Profits Tax	**6,531**	4,091
Overseas taxation	**16,677**	4,978
(Over)/under-provision in prior years	**(1,512)**	48
Deferred taxation (note 29)		
Current year	**207**	1,059
Effect of change in tax rate	**220**	–
	22,123	10,176

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

The People's Republic of China (the "PRC") Enterprise Income Tax was calculated at the statutory income tax rate of 33% of the assessable profit except that the assessable profit derived from the Waigaoqiao Free Trade Zone and Pudong New Area was taxed at a preferential rate of 15% pursuant to the relevant governmental notices.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the President of PRC (the "New Law"). On 6th December 2007, the state council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have unified the tax rate to 25% for its subsidiaries in the PRC, including those operating in Waigaoqiao Free Trade Zone and Pudong New Area, from 1st January 2008 onwards.

7. TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the major business territory of the Group as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**100,291**	52,743
Calculated at taxation rate of 16.5% (2007: 17.5%)	**16,548**	9,230
Effect of different taxation rates applied in other jurisdictions	**3,563**	(966)
Income not subject to taxation	**(1,000)**	(1,341)
Expenses not deductible for taxation purposes	**162**	1,174
Utilisation of tax losses	**(353)**	(567)
Unrecognised tax losses	**4,211**	1,153
Derecognised tax losses	**–**	629
(Over)/under-provision in prior years	**(1,512)**	48
Effect of change in tax rate	**220**	–
Others	**284**	816
Taxation charge	**22,123**	10,176

8. PROFIT FOR THE YEAR

Profit for the year is stated after crediting and charging the following:

	2008 HK$'000	2007 HK$'000
Crediting		
Gain on disposal of property, plant and equipment	**375**	1
Net exchange gain	**813**	1,709
Increase in fair value of investment properties	**4,400**	2,300
Charging		
Allowance for bad and doubtful debts	**–**	778
Amortisation of intangible assets	**465**	238
Amortisation of prepaid lease payments	**8**	–
Auditor's remuneration	**1,687**	1,491
Loss/(gain) on disposal of financial assets at fair value through profit or loss	**4,530**	(2,770)
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**55,239**	47,454
– contingent rent	**4,804**	4,536
Interest expenses on secured mortgage loan	**91**	–
Decrease/(increase) in fair value of financial assets at fair value through profit or loss	**16,492**	(5,371)

9. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend declared and paid of 8.0 HK cents (2007: 4.0 HK cents) per share	**29,286**	14,114
Special interim dividend declared and paid of 2.0 HK cents (2007: 1.0 HK cent) per share	**7,322**	3,528
	36,608	17,642
Final dividend proposed after balance sheet date of 9.5 HK cents (2007: 8.0 HK cents) per share	**35,108**	28,947
Special final dividend proposed after balance sheet date of 2.0 HK cents (2007: 2.0 HK cents) per share	**7,391**	7,236
	42,499	36,183
	79,107	53,825

The 2008 final dividend of 9.5 HK cents per share and a special dividend of 2.0 HK cents per share, amounting to approximately HK$35,108,000 and HK$7,391,000 (2007: HK$28,947,000 and HK$7,236,000), respectively, have been proposed by the directors after the balance sheet date and are subject to approval by the shareholders in the general meeting.

The aggregate amount of the dividends paid during the year ended 30th September 2008 were approximately HK$72,791,000 (2007: HK$35,096,000).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of approximately HK$71,237,000 (2007: HK$40,723,000) and the weighted average number of 361,565,672 (2007: 348,219,178) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30th September 2008 is based on profit attributable to equity holders of approximately HK$71,237,000 (2007: HK$40,723,000) and the weighted average number of 361,565,672 (2007: 348,219,178) ordinary shares in issue during the year plus the weighted average number of 4,475,760 (2007: 6,384,543) ordinary shares, deemed to be issued at no consideration based on the assumption that all outstanding share options granted had been exercised at the beginning of the year or at the date of grant of the options if later.

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages, salaries, bonuses and allowances	**209,977**	167,406
Pension costs-defined benefit plan (Note 28)	**(66)**	(56)
Pension costs-defined contribution plans	**12,229**	9,217
Unutilised annual leave	**1,829**	1,473
	223,969	178,040

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' Emoluments

Name of directors	**Fees** HK$'000	**Basic salaries, housing allowances, other allowances and benefits-in-kinds** HK$'000	**Bonuses** HK$'000	**Retirement benefit costs** HK$'000	**2008 Total emoluments HK$'000**	2007 Total emoluments HK$'000
Yu Lai Si[(4)]	–	6,442	1,500	12	**7,954**	6,443
Tam Chie Sang	–	897	375	12	**1,284**	1,034
Yu Lai Chu, Eileen	–	897	375	12	**1,284**	1,034
Yu Kam Shui, Erastus	–	1,431	375	12	**1,818**	1,542
Lai Yin Ping	–	897	375	12	**1,284**	1,034
Wong Lung Tak, Patrick, J.P.[(1)(2)(3)(4)]	150	–	–	–	**150**	150
Wong Chun Nam[(1)(2)(3)(4)]	150	–	–	–	**150**	150
Wong Chi Keung[(1)(2)(3)(4)]	150	–	–	–	**150**	150
Total for the year 2008	450	10,564	3,000	60	**14,074**	
Total for the year 2007	450	10,027	1,000	60		11,537

(1) Independent non-executive directors

(2) Members of the Company's Audit Committee

(3) Members of the Company's Remuneration Committee

(4) Members of the Company's Investment Advisory Committee

Certain directors of the Company have been granted options to acquire shares of the Company. Details of share options granted, exercised and lapsed during the year are disclosed in the Directors' Report and Note 26.

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2007: two directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining four (2007: three) individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	**7,871**	3,447
Bonuses	**1,109**	487
Retirement benefit costs	**48**	29
	9,028	3,963

Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

The emoluments fell within the following bands:

	Number of individual	
	2008	2007
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	–
	4	3

For the years ended 30th September 2008 and 2007, no directors waived any emoluments and no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group and compensation for loss of office.

13. INTANGIBLE ASSETS

	License fees	
	2008 **HK$'000**	2007 HK$'000
At the beginning of the year	**1,063**	516
Additions	**527**	785
Amortisation charge	**(465)**	(238)
At the end of the year	**1,125**	1,063
At the end of the year		
Cost	**6,592**	6,065
Accumulated amortisation	**(5,467)**	(5,002)
Net book amount	**1,125**	1,063

Expenditure on acquiring licenses for sale of products is capitalised and amortised using the straight-line method over the respective license period.

14. INVESTMENT PROPERTIES

	2008 **HK$'000**	2007 HK$'000
FAIR VALUE		
At the beginning of the year	**29,300**	27,000
Increase in fair value recognised in the consolidated income statement	**4,400**	2,300
At the end of the year	**33,700**	29,300

The Group's interests in investment properties at their net book values are analysed as follows:

	2008 **HK$'000**	2007 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**27,500**	23,800
Leases of over 50 years	**6,200**	5,500
	33,700	29,300

The investment properties were revalued at 30th September 2008 on the basis of their open market values by BMI Appraisals Limited, an independent firm of chartered surveyors.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
Cost							
At 1st October 2006	–	74,954	2,915	7,843	19,880	8,398	113,990
Additions	–	10,410	40	1,073	2,372	377	14,272
Eliminated on disposals	–	(67)	–	(65)	–	(233)	(365)
Exchange realignment	–	1,558	38	218	31	91	1,936
At 30th September 2007	–	86,855	2,993	9,069	22,283	8,633	129,833
Accumulated depreciation							
At 1st October 2006	–	56,712	2,101	5,836	10,772	5,195	80,616
Provided for the year	–	15,934	410	1,148	3,544	1,257	22,293
Eliminated on disposals	–	(67)	–	(65)	–	(224)	(356)
Exchange realignment	–	990	19	116	2	49	1,176
At 30th September 2007	–	73,569	2,530	7,035	14,318	6,277	103,729
Net book value							
At 30th September 2007	–	13,286	463	2,034	7,965	2,356	26,104
Cost							
At 1st October 2007	**–**	**86,855**	**2,993**	**9,069**	**22,283**	**8,633**	**129,833**
Additions	**5,986**	**21,783**	**1,558**	**1,764**	**6,292**	**1,532**	**38,915**
Acquisition of a subsidiary	**–**	**130**	**–**	**105**	**–**	**21**	**256**
Eliminated on disposals	**–**	**–**	**(1,336)**	**(39)**	**–**	**(382)**	**(1,757)**
Eliminated on written off	**–**	**(8,574)**	**–**	**(1,745)**	**–**	**(529)**	**(10,848)**
Exchange realignment	**–**	**2,849**	**69**	**396**	**79**	**111**	**3,504**
At 30th September 2008	**5,986**	**103,043**	**3,284**	**9,550**	**28,654**	**9,386**	**159,903**
Accumulated depreciation							
At 1st October 2007	**–**	**73,569**	**2,530**	**7,035**	**14,318**	**6,277**	**103,729**
Provided for the year	**16**	**15,226**	**316**	**1,554**	**3,920**	**1,475**	**22,507**
Eliminated on disposals	**–**	**–**	**(1,336)**	**(39)**	**–**	**(376)**	**(1,751)**
Eliminated on written off	**–**	**(8,574)**	**–**	**(1,745)**	**–**	**(529)**	**(10,848)**
Exchange realignment	**–**	**2,007**	**37**	**236**	**18**	**63**	**2,361**
At 30th September 2008	**16**	**82,228**	**1,547**	**7,041**	**18,256**	**6,910**	**115,998**
Net book value							
At 30th September 2008	**5,970**	**20,815**	**1,737**	**2,509**	**10,398**	**2,476**	**43,905**

The Group acquired a property located at 18 Cochrane Street, Central, Hong Kong, through a public tender from an independent third party at a total cost of approximately HK$81.5 millions and the transaction was completed on 29th August 2008. The building element and land element to the property was accounted for in the property, plant and equipment and prepaid lease payments separately.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent payments for long-term land use right in Hong Kong which related to the acquisition of a property during the year.

Analysed for report purposes as:

	2008 HK$'000	2007 HK$'000
Current asset	90	–
Non-current asset	75,452	–
	75,542	–

Prepaid lease payments are amortised over the term of land use right on a straight-line basis.

17. RENTAL DEPOSITS AND PREPAYMENTS

Rental deposits are carried at amortised cost using the effective interest rate of 2% (2007: 2%) per annum.

18. GOODWILL

	HK$'000
COST	
Acquisition of a subsidiary (note 31) and balance at 30th September 2008	966

The goodwill is related to the advertising business within the Group's Service segment, which is in itself a stand-alone cash-generating unit ("CGU").

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 8%. The cash flows beyond the 5-year period are based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. Such estimation is based on the CGU's past performance and management's expectations for the market developments. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

19. INVENTORIES

	2008 HK$'000	2007 HK$'000
Finished goods – merchandises	**65,941**	49,556

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK$'000	2007 HK$'000
Equity securities listed in Hong Kong	**–**	5,439
Structured deposits held at banks	**21,531**	14,624
	21,531	20,063

Analysed for reporting purposes as:

	2008 HK$'000	2007 HK$'000
Current assets	**4,203**	10,538
Non-current assets	**17,328**	9,525
	21,531	20,063

The structured deposits carry the right to receive interest ranging from 6% to 20% (2007: 14.5% to 20%) per annum subject to the price performance of certain designated Hong Kong listed shares during the deposit periods. Upon maturity, the Group will receive either (i) the principal amount of the deposits if the share price of none of the designated listed shares falls below a predetermined level or (ii) a predetermined number of shares of a designated Hong Kong listed company with the worst performance in share price.

The structured deposits which include one or more embedded derivatives are designated as financial assets at fair value through profit or loss upon initial recognition. Fair value changes at each measurement date are determined based on values provided by banks using their designated valuation methods.

21. TRADE RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade receivables	**74,090**	58,827
Less: allowance for bad and doubtful debts	**(778)**	(778)
Total trade receivables	**73,312**	58,049

Credit terms generally range from 30 days to 90 days. The following is the aging analysis of trade receivables (net of allowance for bad and doubtful debts):

	2008 HK$'000	2007 HK$'000
0 to 30 days	**67,011**	49,760
31 days to 60 days	**5,423**	5,619
61 days to 90 days	**178**	1,117
Over 90 days	**700**	1,553
	73,312	58,049

Trade receivables are mainly denominated in Hong Kong Dollars, New Taiwan Dollars ("NTD") and Renminbi.

There were no substantial amount of trade receivables which were past due that require impairment.

22. BANK BALANCES AND CASH

Bank balances and cash are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi, which carry interest at an average rate of 1.0% (2007: 0.6%) per annum.

The short-term bank deposits carry interest at approximately 2.3% (2007: 2.0%) per annum and mature within 3 months.

23. TRADE PAYABLES

Details of the aging analysis are as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	**10,349**	3,027
31 days to 60 days	**1,549**	–
	11,898	3,027

Trade payables are mainly denominated in United States Dollars.

24. RECEIPTS IN ADVANCE

The balance represents proceeds from sales of gift coupons not yet redeemed and money received in advance for beauty salon services, skin-care products and other related services.

25. SECURED MORTGAGE LOAN

	2008 HK$'000	2007 HK$'000
Carrying amount repayable:		
On demand or within 1 year	2,529	–
1 year to less than 2 years	2,590	–
2 years to less than 3 years	2,652	–
3 years to less than 4 years	2,716	–
4 years to less than 5 years	2,783	–
5 years or more	31,524	–
	44,794	–
Less: Amount due within one year included in current liabilities	(2,529)	–
	42,265	–

It is secured by the Group's property, plant and equipment and prepaid lease payments set out in Note 32. The secured mortgage loan bears interest at 2.85% per annum below the Best Lending Rate. The effective interest rate is approximately 2.4% per annum.

26. SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised:		
1,000,000,000 (2007: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
366,076,000 (2007: 356,736,000) ordinary shares of HK$0.1 each	**36,608**	35,674

	Issued and fully paid ordinary shares	
	No. of shares	HK$'000
At 1st October 2007	356,736,000	35,674
Issue of new shares upon exercise of share options	9,340,000	934
At 30th September 2008	366,076,000	36,608

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

26. SHARE CAPITAL (Continued)

Details of the movements in share options during the year are as follows:

Category	Date of grant	Exercise period	Exercise price per share HK$	As at 1st October 2007	Granted	Exercised	Cancelled/ Lapsed	As at 30th September 2008
Directors	28th January 2004	3rd May 2004 – 31st January 2009	0.42	8,000,000	–	5,000,000	–	3,000,000
				8,000,000	–	5,000,000	–	3,000,000
Supplier	11th March 2002	11th March 2002 – 10th March 2012	1.18	3,264,000	–	3,264,000	–	–
	12th March 2003	12th March 2003 – 11th March 2013	0.54	976,000	–	976,000	–	–
				4,240,000	–	4,240,000	–	–
Employees (in aggregate)	28th January 2004	3rd May 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	1st November 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	2nd May 2005 – 31st January 2009	0.42	260,000	–	100,000	–	160,000
				580,000	–	100,000	–	480,000

Options to subscribe for a maximum of approximately 3.5 millions shares in the Company in aggregate had been granted and are outstanding as at 30th September 2008 to a director and an employee pursuant to the Company's share option scheme, representing 1.0% of the existing issued share capital of the Company as at the date of this Annual Report. These options were fully subscribed post balance sheet date.

As at 30th September 2008, the weighted average exercise price of share options outstanding was HK$0.42 per share (2007: HK$0.62 per share).

Options exercised during the year ended 30th September 2008 resulted in 9,340,000 shares (2007: 14,320,000 shares) being issued. The related weighted average share price at the time of exercise was HK$2.32 per share (2007: HK$0.84 per share).

27. RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st October 2006	27,030	1,342	(1,766)	450	–	90,107	117,163
Profit for the year	–	–	–	–	–	40,723	40,723
Issue of shares upon exercise of share options	5,588	–	–	–	–	–	5,588
2006 final and special dividend paid	–	–	–	–	–	(17,454)	(17,454)
2007 interim and special dividend paid	–	–	–	–	–	(17,642)	(17,642)
Exchange differences arising from translation of overseas operations recognised directly in equity	–	3,129	–	–	–	–	3,129
At 30th September 2007	32,618	4,471	(1,766)	450	–	95,734	131,507
Represented by:							
Reserves	32,618	4,471	(1,766)	450	–	60,051	95,824
Proposed final and special dividend	–	–	–	–	–	35,683	35,683
	32,618	4,471	(1,766)	450	–	95,734	131,507

	Share premium HK$'000	**Exchange reserve HK$'000**	**Capital reserve HK$'000**	**Capital redemption reserve HK$'000**	**Statutory fund reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1st October 2007	**32,618**	**4,471**	**(1,766)**	**450**	**–**	**95,734**	**131,507**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**71,237**	**71,237**
Appropriated from retained profits	**–**	**–**	**–**	**–**	**1,797**	**(1,797)**	**–**
Issue of shares upon exercise of share options	**5,587**	**–**	**–**	**–**	**–**	**–**	**5,587**
2007 final and special dividend paid	**–**	**–**	**–**	**–**	**–**	**(36,183)**	**(36,183)**
2008 interim and special dividend paid	**–**	**–**	**–**	**–**	**–**	**(36,608)**	**(36,608)**
Exchange differences arising from translation of overseas operations recognised directly in equity	**–**	**8,513**	**–**	**–**	**–**	**–**	**8,513**
At 30th September 2008	**38,205**	**12,984**	**(1,766)**	**450**	**1,797**	**92,383**	**144,053**
Represented by:							
Reserves	**38,205**	**12,984**	**(1,766)**	**450**	**1,797**	**49,884**	**101,554**
Proposed final and special dividend	**–**	**–**	**–**	**–**	**–**	**42,499**	**42,499**
	38,205	**12,984**	**(1,766)**	**450**	**1,797**	**92,383**	**144,053**

(Note) The capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 23rd January 2002 and the nominal value of the Company's shares issued in exchange thereof.

27. RESERVES (Continued)

As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are required to maintain a statutory fund reserve which is non-distributable. Appropriations to this reserve fund are made out of net profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of the subsidiaries annually and is not less than 10% of the net profit after taxation of the subsidiaries for that year.

28. PENSION OBLIGATIONS

(a) DEFINED CONTRIBUTION PLANS

(i) The Group operates a MPF Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 or 5% of the relevant monthly payroll costs to the MPF Scheme.

(ii) The employees employed in Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

(b) DEFINED BENEFIT PLAN

A subsidiary of the Group in Taiwan participates in a pension plan as stipulated by the local statutory regulations. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The subsidiary has an obligation to ensure that there are sufficient funds in the defined benefit plan to pay the promised benefits to employees when they attain the age of retirement. The subsidiary currently contributes at a fixed percentage of the payroll incurred in accordance with the regulations.

Actuarial valuation was performed on the pension liability as at 30th September 2008 and 2007 by an independent qualified actuary, Actuarial Consulting Company Limited, using projected unit credit method. The surplus between the pension asset and present value of the obligation as at 30th September 2008 has been recognised in the consolidated income statement in 2008.

The amounts recognised in the consolidated balance sheet arising from the Group's obligation in respect of the defined benefit plans are determined as follows:

	2008 HK$'000	2007 HK$'000
Present value of funded defined benefit obligations	**224**	204
Fair value of plan assets	**(677)**	(641)
Present value of defined benefit obligations	**(453)**	(437)
Unrecognised actuarial gains	**860**	910
Liability in the balance sheet	**407**	473

28. PENSION OBLIGATIONS (Continued)

(b) DEFINED BENEFIT PLAN (Continued)

The amounts recognised in the consolidated income statement in respect of the defined benefit plans were as follows:

	2008 HK$'000	2007 HK$'000
Interest cost	8	16
Expected return on plan assets	(18)	(17)
Net actuarial gain	(56)	(55)
Total gain recognised in the consolidated income statement (Note 11)	(66)	(56)

The movement in the liability recognised in the consolidated balance sheet:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	473	529
Total gain included in staff costs (Note 11)	(66)	(56)
At the end of the year	407	473

The principal actuarial assumptions used are as follows:

	2008 %	2007 %
Discount rate	3.25	3.75
Expected rate of return on plan assets	2.75	2.75
Expected rate of future salary increase	2.50	2.50

The actuarial valuation shows that the market value of plan assets was HK$677,000 (2007: HK$641,000).

Movements in the present value of the defined benefit obligations during the year are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	204	431
Interest cost	8	16
Actuarial losses/(gains)	12	(243)
At the end of the year	224	204

28. PENSION OBLIGATIONS (Continued)

The movements in the fair value of the plan assets during the year are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	**641**	625
Expected return on plan assets	**18**	17
Actuarial gain/(losses)	**18**	(1)
At the end of the year	**677**	641

The major categories of plan assets, and the percentage of the fair value at the balance sheet date for each category are as follows:

	2008 %	2007 %
Deposits with financial institutions	**32.31**	39.96
Short term bills	**11.18**	9.48
Stocks	**11.49**	10.87
Bonds	**11.32**	13.18
Others	**33.70**	26.51
	100.00	100.00

29. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2007: 17.5%).

The movements in the deferred tax assets are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	4,261	5,025
Exchange realignment	17	32
Credited/(charged) to consolidated income statement	384	(796)
Effect of change in tax rate	(244)	–
At the end of the year	4,418	4,261

The movement in the deferred tax liabilities is as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	(413)	(150)
Charged to consolidated income statement	(591)	(263)
Effect of change in tax rate	24	–
At the end of the year	(980)	(413)

The movement in deferred tax assets/(liabilities) prior to offsetting of balances within the same taxation jurisdiction is as follows:

	Decelerated tax depreciation		Tax losses		Accelerated tax depreciation		Fair value gain		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At the beginning of the year	2,008	1,055	2,853	4,431	–	–	(1,013)	(611)	3,848	4,875
(Charged)/credited to consolidated income statement	579	953	284	(1,610)	(344)	–	(726)	(402)	(207)	(1,059)
Exchange realignment	17	–	–	32	–	–	–	–	17	32
Effect of change in tax rate	(115)	–	(163)	–	–	–	58	–	(220)	–
At the end of the year	2,489	2,008	2,974	2,853	(344)	–	(1,681)	(1,013)	3,438	3,848

29. DEFERRED TAXATION (Continued)

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

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**4,418**	4,261
Deferred tax liabilities	**(980)**	(413)
	3,438	3,848

Deferred tax assets are only recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. Total potential deferred tax asset arising from tax losses not provided for in the consolidated financial statements is as follows:

	2008 HK$'000	2007 HK$'000
Tax losses	**3,450**	5,681

These losses can be carried forward indefinitely to offset against future taxable income.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	2008 HK$'000	2007 HK$'000
Profit before taxation	**100,291**	52,743
Adjustment for:		
Dividend income from listed investments	**(290)**	(45)
Depreciation of property, plant and equipment	**22,507**	22,293
Allowance for bad and doubtful debts	**–**	778
Amortisation of intangible assets	**465**	238
Amortisation of prepaid lease payments	**8**	–
Interest income on bank deposits	**(1,495)**	(2,158)
Interest expenses on secured mortgage loan	**91**	–
Decrease/(increase) in fair value of financial assets at fair value through profit or loss	**16,492**	(5,371)
Gain on disposal of property, plant and equipment	**(375)**	(1)
Increase in fair value of investment properties	**(4,400)**	(2,300)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	**4,530**	(2,770)
Operating cash flow before movements in working capital	**137,824**	63,407
Increase in inventories	**(12,941)**	(4,213)
Increase in trade receivables	**(10,026)**	(19,095)
Increase in rental deposits and prepayments, prepayments, other deposits and receivables	**(8,016)**	(11,262)
Decrease in financial assets at fair value through profit or loss	**1,173**	595
Increase/(decrease) in trade payables	**6,539**	(3,204)
Increase in accruals and other payables	**4,235**	13,307
Increase in receipts in advance	**30,081**	36,557
Decrease in pension obligations	**(66)**	(56)
Cash generated from operations	**148,803**	76,036

31. ACQUISITION OF A SUBSIDIARY

On 1st October 2007, the Group acquired 60% of the issued share capital of a Shenzhen advertising company and renamed it as 深圳市奧貝思廣告有限公司 for a total consideration of HK$1.26 million. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$966,000.

The net assets acquired in the transaction, and the goodwill arising therefrom are as follows:

	HK$'000
Net assets acquired:	
Plant and equipment	256
Trade and other receivables	1,408
Bank balances and cash	231
Trade and other payables	(1,405)
	490
Minority interests	(196)
Goodwill	966
Total consideration, satisfied by:	
Cash	1,260
Net cash outflow arising on acquisition:	
Cash consideration paid	1,260
Bank balances and cash acquired	(231)
	1,029

Note: The fair value of the net assets acquired approximates its carrying amount at the date of acquisition.

Goodwill arose in the acquisition because the cost of acquisition included a premium the Group paid for the control and the expected future profitability and synergy benefits of the subsidiary. Such benefits cannot be reliably measured individually and are therefore collectively identified as goodwill.

32. PLEDGE OF ASSETS

As at 30th September 2008, the carrying value of the Group's assets which were pledged to secure banking facilities granted to the Group were as follows:

	2008 HK$'000	2007 HK$'000
Property, plant and equipment	**5,970**	–
Prepaid lease payments	**75,542**	–
	81,512	–

33. COMMITMENTS AND ARRANGEMENTS

(a) CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital commitments contracted for but not provided in consolidated financial statements in respect of acquisition of property, plant and equipment	**631**	–

(b) COMMITMENTS AND ARRANGEMENTS UNDER OPERATING LEASES

At 30th September 2008 and 2007, the Group had total future aggregate minimum lease receipts and payments under non-cancellable operating leases in respect of investment properties and land and buildings as follows:

As lessors **Rental receipts**	2008 HK$'000	2007 HK$'000
Not later than 1 year	**2,359**	264
1 year and not later than 5 years	**711**	–
	3,070	264

There was no contingent lease arrangement.

As lessees **Rental payments**	2008 HK$'000	2007 HK$'000
Not later than 1 year	**64,123**	51,513
1 year and not later than 5 years	**43,552**	48,610
	107,675	100,123

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases terms are negotiated and fixed for an average term of two to three years.

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable, if any, when the amounts are determined by applying pre-determined percentages to turnover less the basic rentals of the respective leases as it is not possible to determine in advance the amount of such additional rentals.

34. BANKING FACILITIES

As at 30th September 2008, the Group had banking facilities of approximately HK$98,000,000 granted by banks (2007: HK$18,000,000) under guarantees provided by the Company.

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 30th September 2008 and 2007 are as follows:

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
DIRECTLY HELD:				
Water Oasis Group (BVI) Limited	British Virgin Islands 16th December 1999	Ordinary shares US$30,000	100%	Investment holding in Hong Kong
INDIRECTLY HELD:				
Water Oasis Holdings Limited	British Virgin Islands 16th December 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Oasis Spa Holdings Limited	British Virgin Islands 16th December 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Oasis-Beauty.com Holdings Limited	British Virgin Islands 16th December 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Water Oasis (Labuan) Holdings Limited	Labuan, Malaysia 28th June 2000	Ordinary shares US$10,000	100%	Investment holding in Taiwan
Water Oasis China (BVI) Limited	British Virgin Islands 12th October 2000	Ordinary share US$1	100%	Investment holding in Hong Kong
OBS Company Limited	Hong Kong 26th July 2000	Ordinary shares HK$2	100%	Operating of skin-care and beauty training centre in Hong Kong
Water Oasis Company Limited	Hong Kong 6th May 1998	Non-voting deferred shares HK$1,000,000 Ordinary shares HK$10,000	100%	Retail sales of skin-care products in Hong Kong
Oasis Spa Company Limited	Hong Kong 24th December 1999	Ordinary shares HK$1,000,000	100%	Operating of spa and provision of beauty services in Hong Kong
Oasis Techno-Beauty Company Limited (formerly known as Oasis-Beauty.com Limited)	Hong Kong 24th December 1999	Ordinary shares HK$10,000	100%	Distribution of beauty service equipment in Hong Kong
Water Babe Company Limited	Taiwan 17th September 1999	Common stock NT$20,000,000	90%	Retail sales of skin-care products in Taiwan
Water Oasis (China) Holdings Limited	Samoa 5th April 2000	Ordinary shares US$101	90.1%	Investment holding in Hong Kong

35. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
Claire International Limited	Hong Kong 22nd October 1999	Ordinary shares HK$2	100%	Property holding in Hong Kong
Oasis Florist Company Limited (formerly known as Oasis Advertising Agency Company Limited)	Hong Kong 18th October 2000	Ordinary shares HK$2	100%	Operating of a florist shop in Hong Kong
Water Oasis (Macau) Company Limited	Macau 19th July 2001	Ordinary shares MOP$25,000	100%	Retail sales of skin-care products in Macau
Oasis Beauty Company Limited	Hong Kong 13th March 2002	Ordinary shares HK$1,000,000	100%	Operating of beauty salons in Hong Kong
Aricon Investments Limited	British Virgin Islands 8th March 2002	Ordinary share US$1	100%	Inactive
Master Advance Limited	Hong Kong 28th June 2002	Ordinary shares HK$1,000,000	100%	Property holding in Hong Kong
奧思美容品（上海）有限公司	PRC 9th February 2002	US$200,000	90.1%	Retail sales of skin-care products in Mainland China
奧泉（上海）商貿有限公司	PRC 9th March 2006	US$200,000	100%	Retail sales of skin-care products and operating of beauty salons in Mainland China
Water Oasis (Singapore) Pte. Limited	Singapore 6th November 2003	Ordinary shares S$300,000	100%	Retail sales of skin-care products in Singapore
Top Distinct Limited	Hong Kong 26th January 2006	Ordinary shares HK$2,000,000	100%	Operation of beauty salons in Hong Kong
Oasis Brand Communications Company Limited*	Hong Kong 14th September 2007	Ordinary shares HK$10,000	60%	Provision of advertising agency services in Hong Kong

35. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
Oasis Medical Clinic Company Limited*	Hong Kong 6th November 2007	Ordinary share HK$1	100%	Operation of beauty salons and provision of other related services in Hong Kong
深圳市奧貝思廣告有限公司#	PRC 9th August 2006	RMB500,000	60%	Provision of advertising agency services in Mainland China
WOYR North China Company Limited*	Hong Kong 24th June 2008	Ordinary shares HK$100,000	75%	Investment holding in Hong Kong
WOYR Central China Company Limited*	Hong Kong 24th June 2008	Ordinary shares HK$100,000	75%	Investment holding in Hong Kong
WOYR South China Company Limited*	Hong Kong 24th June 2008	Ordinary shares HK$100,000	75%	Investment holding in Hong Kong
Oasis Cosmetic Holdings Company Limited*	Hong Kong 17th June 2008	Ordinary share HK$1	100%	Investment holding in Hong Kong

None of the subsidiaries had issued any debt securities during the year.

* These subsidiaries were newly incorporated/acquired during the financial year 2008.

\# As set out in note 31, 深圳市奧貝思廣告有限公司 was newly acquired during the financial year 2008.

There were no changes in shareholding for the rest of the subsidiaries.

36. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	**10,564**	10,027
Bonuses	**3,000**	1,000
Retirement benefit costs	**60**	60
	13,624	11,087

Five-Year Financial Summary

	Year ended 30th September				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**846,569**	593,358	484,018	413,888	357,553
Profit before taxation	**100,291**	52,743	13,599	17,936	3,577
Taxation	**(22,123)**	(10,176)	733	(4,653)	(1,678)
Profit for the year	**78,168**	42,567	14,332	13,283	1,899
Profit attributable to equity holders	**71,237**	40,723	13,600	12,762	1,694
Minority interests	**6,931**	1,844	732	521	205
	78,168	42,567	14,332	13,283	1,899
BALANCE SHEETS					
Total assets	**521,770**	400,022	329,527	309,397	259,980
Total liabilities	**(332,394)**	(230,244)	(177,275)	(151,786)	(103,289)
Minority interests	**(8,715)**	(2,597)	(847)	(209)	193
Net assets	**180,661**	167,181	151,405	157,402	156,884

Corporate Information 公司資料

DIRECTORS
董事

EXECUTIVE DIRECTORS
執行董事

YU Lai Si
余麗絲
TAM Chie Sang
譚次生
YU Lai Chu, Eileen
余麗珠
YU Kam Shui, Erastus
余金水
LAI Yin Ping
黎燕屏

INDEPENDENT NON-EXECUTIVE DIRECTORS
獨立非執行董事

WONG Lung Tak, Patrick, J.P.
黃龍德太平紳士
WONG Chun Nam
黃鎮南
WONG Chi Keung
黃志強

AUDIT COMMITTEE
審核委員會

WONG Lung Tak, Patrick, J.P.
黃龍德太平紳士
WONG Chun Nam
黃鎮南
WONG Chi Keung
黃志強

REMUNERATION COMMITTEE
薪酬委員會

WONG Chun Nam
黃鎮南
WONG Lung Tak, Patrick, J.P.
黃龍德太平紳士
WONG Chi Keung
黃志強
LAU Mei Yin, Ivy
劉美燕

INVESTMENT ADVISORY COMMITTEE
投資諮詢委員會

WONG Chi Keung
黃志強
WONG Lung Tak, Patrick, J.P.
黃龍德太平紳士
WONG Chun Nam
黃鎮南
YU Lai Si
余麗絲

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
公司秘書及合資格會計師

MO Yuen Yee, Shirley, FCCA, FCPA
巫婉儀 FCCA, FCPA

AUDITOR
核數師

Deloitte Touche Tohmatsu
德勤・關黃陳方會計師行

LEGAL ADVISOR
法律顧問

Deacons
的近律師行

PRINCIPAL BANKERS
主要往來銀行

The Hongkong and Shanghai Banking Corporation Limited
香港上海滙豐銀行有限公司
Hang Seng Bank Limited
恒生銀行有限公司

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
主要股份登記及過戶處

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH TRANSFER OFFICE
股份過戶香港分處

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
卓佳標準有限公司
香港灣仔
皇后大道東28號
金鐘匯中心26樓

REGISTERED OFFICE
註冊辦事處

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
總辦事處及主要營業地點

18th Floor, World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong
香港銅鑼灣
告士打道280號
世貿中心18樓

STOCK CODE
股份代號

1161

WEBSITE
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www.wateroasis.com.hk

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