



2009
Interim Report
中期報告

Water **Oasis** Group Limited

奧思集團有限公司

Stock Code 股份代號 : 1161

Rising upward,
pressing forward

Leading the way
for beauty

傲視同群，出類拔萃

帶領美麗之道

2009

Interim Report

CONTENTS

02	Management Discussion and Analysis
06	Report on Review of Interim Financial Information
07	Condensed Consolidated Income Statement
08	Condensed Consolidated Balance Sheet
09	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Cash Flow Statement
11	Notes to Condensed Consolidated Financial Statements
22	Interim Dividend and Closure of Register of Members
22	Liquidity and Financial Resources
23	Human Resources
23	Audit Committee
23	Remuneration Committee
24	Investment Advisory Committee
24	Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures
27	Share Options
29	Substantial Shareholders
30	Purchase, Sale or Redemption of the Company's Listed Securities
30	Corporate Governance
31	Compliance with the Model Code for Securities Transactions
32	Corporate Information

The Board of Directors (the “Board”) of Water Oasis Group Limited (the “Company”) herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 31st March 2009.

The unaudited consolidated results have been reviewed by the Company’s Audit Committee and the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information (“Interim Financial Information”) is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

Results and Dividend

For the six months ended 31st March 2009, the Group’s turnover increased by 26% to approximately HK\$502 million. Both retail and services businesses achieved a double-digit percentage increase in turnover. The Group’s profit for the period achieved illustrious results of 30% growth than that of same period last year which amounted to approximately HK\$45 million.

The Board resolved to declare an interim dividend of 8.0 HK cents and a special interim dividend of 2.0 HK cents per share.

Management Discussion and Analysis

The Group enjoyed a good performance in the six months ending 31st March 2009, achieving encouraging results in the face of a global financial downturn which has hit many other businesses in this industry very hard. The Group, by contrast, with its strong fundamentals and careful expansion policy contributed to its continued profitability. In fact the Group’s performance has to date outstripped that of the previous year, indicating that its growth strategy is well suited to the current economic climate.

In terms of profitability, the profit on our China operations reached a record high, rising even above last year’s result. Overall, the Group’s profit for the period achieved good growth of HK\$10 million, representing an increase of 30% as compared with last year.

~H₂O+ Business

Mainland China

In Mainland China, the Group continued its steady, solid momentum of expansion by opening new ~H₂O+ outlets in popular shopping districts within major cities. As at the end of May 2009 it had a total of 203 outlets in Mainland China, representing a strong increase of 39 over the number reported at the end of May 2008. This expansion has been accompanied by the implementation of new efficient management and organisational structures in the Group's China operations, which have in turn led to improved efficiency and profitability.

Mainland China has been the key driver for the Group's financial results for some years now, and this situation is expected to carry on as expansion continues there. The Group's strategies for growth will therefore remain focused on Mainland China.

Hong Kong and Macau

In Hong Kong and Macau, meanwhile, the Group has enjoyed a consistent, steady presence, with business remaining stable despite global economic fluctuations. Demand for the Group's Collagen 8000 drink in these markets has prompted the Group to launch a related health supplement in tablet form, "Be Collagen Plus", in November 2008.

Store numbers have remained steady in Hong Kong and Macau, at 18 outlets, the most recent opening in Causeway Bay in December 2008. With controls over major expenditure items continuing, the Group has managed to keep costs of advertising, rent and staff under control.

Taiwan and Singapore

The Group continues to place its focus on achieving cost-effective operations in these two locations.

Yves Rocher Business

The Group is increasingly emerging as a multi-brand distributor, moving out from its core ~H₂O+ business to handle promising brands from other sources. One of the new brands that the Group is now handling is Yves Rocher, for which it has acquired the exclusive distribution rights for Mainland China. From a beginning of 7 outlets when it took on this brand, by the end of May 2009 the Group had 41, with the new outlets all being launched with a new fresh brand design. The new-look Yves Rocher has been well received by consumers, spurring further growth. Expansion to date has been rapid, and the Group has been acquiring some excellent department store locations thanks to its long history in Mainland China and the good relationships it has developed with many department store chains.

Neutrogena Business

The Group's Neutrogena distribution contract with Johnson & Johnson expired at the end of March 2009, following which the brand-owner paid the Group a satisfactory compensation sum. This has enabled the Group now to focus on developing and expanding other promising brands within the Mainland China market.

Spa and Beauty

As at the end of May 2009, the Group was operating 2 high-end “Oasis Spa” outlets and 17 mid-range beauty services centres under the brand names “Oasis Beauty”, “Aqua Beauty” and “Oasis Homme” in Hong Kong. All of these have managed to achieve steady performances over the past six months. Their ability to provide customers with a wide range of top quality, highly professional beauty services has seen them build solid and loyal customer bases in recent years. Their value to the Group can be seen from the fact that they continue to contribute a significant proportion of the Group’s turnover, amounting to approximately 23%. Recent new treatments and beauty packages the Group has put on offer have been widely recognised as being the best available in the market, helping keep the performance of its beauty sector ahead of targets. It is particularly notable that, in the current economic environment in which a number of beauty service providers have been forced to exit the market, the Group’s own outlets have continued to experience steady growth.

In Mainland China, the Group continues with the 2 Oasis Beauty centres opened last year in Beijing, each in prime locations. These are establishing themselves and building up a strong brand image and reputation, and the Group anticipates that their performance will gradually improve further over time. The Group remains on the lookout for similar suitable locations for expanding this fledgling business, in Beijing and other major cities such as Shanghai and Guangzhou.

One other development in the Group’s beauty services was the launch, in January 2008, of its first Oasis Medical Centre. This beauty treatment facility is based around the provision of specialist medical beauty advice and treatment, performed by high-level professionals who include a qualified doctor and trained therapists. It offers a wide range of specialised services, and has garnered a strong following. Its value is suggested by the fact that, despite being a recent innovation launched in January 2008 and requiring substantial set-up costs, it quickly achieved a positive bottom line and is now firmly profitable. With the Oasis Medical Centre having experienced a rapid growth rate over the past year, the Group sees further potential to expand this area of its beauty business, and has built up a substantial and valuable customer database for possible future growth.

Prospects

The Group has started the year well despite the gloomy economic situation, and is keeping a very close watch on consumer trends to ensure it responds quickly and effectively to any further market adjustments. The Group is also working hard to keep up the momentum it has created, especially in Mainland China, as it moves towards its target of becoming a multi-brand distributor. In Hong Kong, the global financial downturn has had a silver lining for the Group, enabling it to renew leases for its retail and spa and beauty premises at lower prices. The knock-on effect will be a further reduction in costs, translating into improved profitability in the coming future.

In balance sheet terms, the Group remains in the favorable position of being relatively cash-rich and enjoying a low level of gearing. This conservative position will prove its worth in the current less stable economic climate.

Retail Activities in Hong Kong and Mainland China

The Group's contract for distribution of its flagship ~H₂O+ brand for all regions was renewed and became effective starting in January 2009. It is continuing its steady expansion of ~H₂O+ outlets in Mainland China, a direction which has proved successful over the past few years. By the end of fiscal 2009, the Group aims to further increase the number of operating outlets, though its target number remains flexible as the Group weighs options and keeps a close eye on the economic situation. In Hong Kong, meanwhile, it aims to open two further ~H₂O+ outlets before the end of this fiscal year.

Some exciting new developments include the Group's recent obtaining of the exclusive distributorship rights for an international high-end skin-care brand "Erno Laszlo", for both Hong Kong and the PRC. The Group is very optimistic about this development, which targets a higher-spending clientele. The long-history brand was founded by a renowned Hungarian dermatologist Dr. Erno Laszlo in 1927 and is recommended by celebrities and Hollywood movie stars. It is expected to begin operations in June this year, beginning in Hong Kong, and the Group aims to market the brand through a number of complementary sales channels including specialty stores, shopping arcade outlets and in-store counters. The Group is also pushing ahead with the relevant procedures for registering the brand in Mainland China, and expects to launch the new products there next year.

The Group also owns a cosmetics brand, and is still progressing and finalising design features in preparation for beginning business in Mainland China by the end of 2009 or early next year.

Noting the strong market for quality health drinks, the Group built on the success of its Collagen 8000 drink by launching the health supplement Be Collagen Plus in November 2008, which has benefited from being sold under the ~H₂O+ brand name. This will be further supplemented by a new diet drink, "Slim Magic", scheduled for launch in June this year.

Beauty Services in Hong Kong and Mainland China

Oasis Beauty remains a strong performer, and to capture ongoing demand the Group plans to open one further Oasis Beauty centre in the New Territories later in the year.

Having experienced excellent early results from the first Oasis Medical Centre, the Group is already looking to launch a second such Centre, scheduled to open in July this year. It is expected that the new Centre, situated in the Group's heartland of Causeway Bay, will further promote and nurture demand for the specialist medical beauty services that the Group can provide.

In sum, the Group has a robust and proven policy of brand diversification and steady cautious expansion, and a continued focus on its core historical strengths in the beauty and health sectors. Its past successes bode well for planned future initiatives, as it undergoes a gradual transformation into a major multi-brand distributor across Greater China. The results of the period under review are most positive, especially given the economic pressures on many industries in recent months, and they bear testimony to the Group's good financial management, its strong cost controls creating cost effectiveness and efficiency, and its ability to plan and carry out realistic expansion and consolidation initiatives. These fundamental strategies will continue to drive its growth in the coming year.



Report on Review of Interim Financial Information
To the Board of Directors of Water Oasis Group Limited
奧思集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the Interim Financial Information set out on pages 7 to 21, which comprises the condensed consolidated balance sheet of Water Oasis Group Limited and its subsidiaries as of 31st March 2009 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 16th June 2009

Condensed Consolidated Income Statement

Unaudited
Six months ended
31st March

	Note	2009 HK\$'000	2008 HK\$'000
Turnover	4	501,546	398,267
Purchases and changes in inventories of finished goods		(125,742)	(94,678)
Other income		10,142	4,201
(Decrease) increase in fair value of investment properties		(5,000)	8,300
Staff costs		(129,475)	(108,556)
Depreciation of property, plant and equipment		(12,914)	(10,807)
Other expenses		(178,403)	(154,199)
Profit before taxation		60,154	42,528
Taxation	5	(14,984)	(7,779)
Profit for the period	6	45,170	34,749
Attributable to:			
Equity holders of the Company		43,206	32,637
Minority interests		1,964	2,112
		45,170	34,749
Dividends	7	36,956	36,608
Earnings per share			
Basic	8	11.7 HK cents	9.1 HK cents
Diluted	8	11.7 HK cents	9.0 HK cents

Condensed Consolidated Balance Sheet

	Note	Unaudited As at 31 st March 2009 HK\$'000	Audited As at 30 th September 2008 HK\$'000
Non-current assets			
Intangible assets		884	1,125
Investment properties	9	28,700	33,700
Property, plant and equipment	9	41,441	43,905
Prepaid lease payments		75,406	75,452
Rental deposits and prepayments		17,875	17,175
Goodwill		966	966
Deferred tax assets		3,364	4,418
Financial assets at fair value through profit or loss		-	17,328
		168,636	194,069
Current assets			
Inventories		77,182	65,941
Prepaid lease payments		90	90
Financial assets at fair value through profit or loss		-	4,203
Trade receivables	10	91,421	73,312
Prepayments		20,461	26,654
Other deposits and receivables		22,153	16,078
Tax recoverable		86	-
Bank balances and cash		123,979	141,423
		335,372	327,701
Current liabilities			
Trade payables	11	9,536	11,898
Accruals and other payables		83,866	86,329
Receipts in advance		151,118	170,242
Secured mortgage loan – due within one year	12	2,603	2,529
Tax payable		15,819	17,744
		262,942	288,742
Net current assets		72,430	38,959
Total assets less current liabilities		241,066	233,028
Capital and reserves			
Share capital	13	36,956	36,608
Reserves		145,873	144,053
Equity attributable to equity holders of the Company		182,829	180,661
Minority interests		13,259	8,715
Total equity		196,088	189,376
Non-current liabilities			
Pension obligations		407	407
Secured mortgage loan – due after one year	12	40,908	42,265
Deferred tax liabilities		3,663	980
		44,978	43,652
		241,066	233,028

Condensed Consolidated Statement of Changes in Equity

Attributable to Equity Holders of the Company										
	Share capital HK\$'000	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	Minority interests HK\$'000	Total HK\$'000
At 1 st October 2007 (audited)	35,674	32,618	4,471	(1,766)	450	-	95,734	167,181	2,597	169,778
Exchange differences arising from translation of overseas operations recognised directly in equity	-	-	828	-	-	-	-	828	-	828
Profit for the period	-	-	-	-	-	-	32,637	32,637	2,112	34,749
Total recognised income for the period	-	-	828	-	-	-	32,637	33,465	2,112	35,577
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	196	196
Issue of shares upon exercise of share options	510	1,632	-	-	-	-	-	2,142	-	2,142
2007 final and special final dividends paid	-	-	-	-	-	-	(36,183)	(36,183)	-	(36,183)
At 31 st March 2008 (unaudited)	36,184	34,250	5,299	(1,766)	450	-	92,188	166,605	4,905	171,510
Attributable to Equity Holders of the Company										
	Share capital HK\$'000	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	Minority interests HK\$'000	Total HK\$'000
At 1 st October 2008 (audited)	36,608	38,205	12,984	(1,766)	450	1,797	92,383	180,661	8,715	189,376
Profit for the period	-	-	-	-	-	-	43,206	43,206	1,964	45,170
Total recognised income for the period	-	-	-	-	-	-	43,206	43,206	1,964	45,170
Capital contribution from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	2,918	2,918
Issue of shares upon exercise of share options	348	1,113	-	-	-	-	-	1,461	-	1,461
2008 final and special final dividends paid	-	-	-	-	-	-	(42,499)	(42,499)	-	(42,499)
Dividend payable to a minority shareholder	-	-	-	-	-	-	-	-	(338)	(338)
At 31 st March 2009 (unaudited)	36,956	39,318	12,984	(1,766)	450	1,797	93,090	182,829	13,259	196,088

Condensed Consolidated Cash Flow Statement

Unaudited
Six months ended
31st March

	2009 HK\$'000	2008 HK\$'000
Net cash from operating activities	14,498	37,195
<hr style="border-top: 1px dashed #ccc;"/>		
Net cash from (used in) investing activities:		
Purchase of property, plant and equipment	(12,529)	(15,985)
Purchase of financial assets at fair value through profit or loss	–	(41,060)
Proceeds on disposal of financial assets at fair value through profit or loss	17,921	16,922
Deposits paid for acquisition of a property	–	(7,800)
Other investing activities	2,069	(43)
	7,461	(47,966)
<hr style="border-top: 1px dashed #ccc;"/>		
Net cash used in financing activities:		
Dividends paid	(42,499)	(36,183)
Other financing activities	3,096	2,142
	(39,403)	(34,041)
<hr style="border-top: 1px dashed #ccc;"/>		
Net decrease in cash and cash equivalents	(17,444)	(44,812)
Cash and cash equivalents at beginning of the period	141,423	161,915
Effect of foreign exchange rate changes	–	734
Cash and cash equivalents at end of the period, represented by bank balances and cash	123,979	117,837

Notes to Condensed Consolidated Financial Statements

1. General Information

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 addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the Interim 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 Condensed Consolidated Financial Statements are presented in Hong Kong Dollars (“HK\$”) which is the same as the functional currency of the Company. The Condensed Consolidated Financial Statements were approved for issue by the Board of Directors on 16th June 2009.

2. Basis of Preparation

The Condensed Consolidated Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

The Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements of the Group for the year ended 30th September 2008.

3. Principal Accounting Policies

The Condensed Consolidated Financial Statements have been prepared under the historical cost convention except that financial instruments and investment properties are stated at fair values.

The accounting policies used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the Annual Financial Statements of the Group for the year ended 30th September 2008.

In the current period, the Group has applied, for the first time, the following new interpretations (“new interpretations”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on or after 1st October 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new interpretations has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

Certain new and revised standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st October 2009. 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.

4. Turnover 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. An analysis of the Group's turnover and contribution to profit for the period by business segments is as follows:

(a) Primary reporting format – business segments

	Retail		Services		Elimination		Group	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 st March		31 st March		31 st March		31 st March	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Sales to external customers	357,575	292,750	143,971	105,517	-	-	501,546	398,267
Inter-segment sales	12,785	13,112	-	-	(12,785)	(13,112)	-	-
Total	370,360	305,862	143,971	105,517	(12,785)	(13,112)	501,546	398,267
Segment results	55,512	51,145	34,363	20,928	-	-	89,875	72,073
Other income							10,142	4,201
(Decrease) increase in fair value of investment properties							(5,000)	8,300
Unallocated corporate expenses							(34,863)	(42,046)
Profit before taxation							60,154	42,528
Taxation							(14,984)	(7,779)
Profit for the period							45,170	34,749

(b) Secondary reporting format – geographical segments

	Turnover Six months ended 31 st March	
	2009 HK\$'000	2008 HK\$'000
Hong Kong and Macau	209,571	174,099
Mainland China	261,139	192,709
Taiwan	26,374	27,609
Singapore	4,462	3,850
	501,546	398,267

In respect of geographical segment reporting, sales are reported based on the countries/places in which the customers are located.

5. Taxation

	Six months ended 31 st March	
	2009 HK\$'000	2008 HK\$'000
Current taxation		
Hong Kong Profits Tax	4,156	3,674
Overseas taxation	8,569	6,269
Overprovision in prior years	(1,478)	(1,071)
Deferred taxation	3,737	(1,093)
	14,984	7,779

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the period, 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 period 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 25% (2008: 33% from 1st October 2007 to 31st December 2007 and 25% from 1st January 2008 to 31st March 2008) 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 20% (2008: 15%), which would gradually transit to 25% in 2012 pursuant to the relevant governmental notices.

Starting from 1st January 2008, 10% withholding tax was imposed on dividends payable to foreign shareholders out of profits generated by companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries accordingly.

6. Profit for the Period

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

	Six months ended 31 st March	
	2009 HK\$'000	2008 HK\$'000
Crediting		
Interest income on bank deposits	406	965
Rental income	1,399	546
Charging		
Amortisation of intangible assets	241	170
Amortisation of prepaid lease payments	46	–
Decrease in fair value of financial assets at fair value through profit or loss	–	13,882

7. Dividends

	Six months ended 31 st March	
	2009 HK\$'000	2008 HK\$'000
Interim dividend proposed of 8.0 HK cents (2008: 8.0 HK cents) per share	29,565	29,286
Special interim dividend proposed of 2.0 HK cents (2008: 2.0 HK cents) per share	7,391	7,322
	36,956	36,608

At the Board meeting held on 16th June 2009, the directors declared an interim dividend of 8.0 HK cents (2008: 8.0 HK cents) per share and a special interim dividend of 2.0 HK cents (2008: 2.0 HK cents) per share (collectively referred to as the "Interim Dividend"). This proposed Interim Dividend is not reflected as a dividend payable in the Condensed Consolidated Financial Statements as it was declared after the balance sheet date.

8. Earnings Per Share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of approximately HK\$43,206,000 (for the six months ended 31st March 2008: HK\$32,637,000) and the weighted average number of 368,201,055 (for the six months ended 31st March 2008: 358,190,645) ordinary shares in issue during the six months ended 31st March 2009.

The calculation of diluted earnings per share for the period ended 31st March 2009 is based on the Group's profit attributable to equity holders of approximately HK\$43,206,000 (for the six months ended 31st March 2008: HK\$32,637,000) and the weighted average number of 368,201,055 (for the six months ended 31st March 2008: 358,190,645) ordinary shares in issue during the period plus the weighted average number of 1,030,920 (for the six months ended 31st March 2008: 5,019,898) ordinary shares, deemed to be issued at no consideration based on the assumption that all outstanding share options granted had been exercised at the beginning of the period or at the date of grant of the options if later.

9. Capital Expenditures

During the period ended 31st March 2009, the Group incurred capital expenditures of approximately HK\$12,529,000 for property, plant and equipment (for the six months ended 31st March 2008: HK\$15,985,000).

The Group's investment properties were revalued at 31st March 2009 on the basis of their open market values by BMI Appraisals Limited, an independent firm of chartered surveyors. The resulting decrease in fair value of investment properties of HK\$5,000,000 (for the six months ended 31st March 2008: increase of HK\$8,300,000) has been recognised directly in the condensed consolidated income statement.

10. Trade Receivables

Details of the aging analysis are as follows:

	As at 31st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
0 to 30 days	83,931	67,011
31 days to 60 days	5,900	5,423
61 days to 90 days	638	178
Over 90 days	952	700
	91,421	73,312

Credit terms generally range from 30 days to 150 days.

Trade receivables are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi.

11. Trade Payables

Details of the aging analysis are as follows:

	As at 31 st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
0 to 30 days	8,490	10,349
31 days to 60 days	1,046	1,549
	9,536	11,898

Trade payables are mainly denominated in United States Dollars and Renminbi.

12. Secured Mortgage Loan

	As at 31 st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
Carrying amount repayable:		
On demand or within 1 year	2,603	2,529
1 year to less than 2 years	2,659	2,590
2 years to less than 3 years	2,716	2,652
3 years to less than 4 years	2,778	2,716
4 years to less than 5 years	2,836	2,783
5 years or more	29,919	31,524
	43,511	44,794
Less: Amount due within one year included in current liabilities	(2,603)	(2,529)
	40,908	42,265

It is secured by the Group's property, plant and equipment and prepaid lease payments. The secured mortgage loan bears interest at 2.9% (at 30th September 2008: 2.9%) per annum below the Best Lending Rate. The effective interest rate is approximately 2.2% (at 30th September 2008: 2.4%) per annum.

13. Share Capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 30 th September 2008 and at 31 st March 2009	1,000,000,000	100,000
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 st October 2007	356,736,000	35,674
Issue of new shares upon exercise of share options	9,340,000	934
At 30 th September 2008	366,076,000	36,608
Issue of new shares upon exercise of share options	3,480,000	348
At 31 st March 2009	369,556,000	36,956

14. Share Options

The Company's share option scheme (the "Share Option Scheme") was adopted on 23rd January 2002. The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the Share Option Scheme, the Board of Directors may, on or before 22nd January 2012, at its discretion, offer to grant options at an option price of HK\$1.00 to any employees, directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisors (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers 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.

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

Category	Date of grant	Exercise period	Exercise price per share HK\$	As at 1 st October 2008	Granted	Exercised	Cancelled/ Lapsed	As at 31 st March 2009
Directors	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	3,000,000	-	3,000,000	-	-
				3,000,000	-	3,000,000	-	-
Supplier	11 th March 2002	11 th March 2002 – 10 th March 2012	1.18	-	-	-	-	-
	12 th March 2003	12 th March 2003 – 11 th March 2013	0.54	-	-	-	-	-
				-	-	-	-	-
Employees (in aggregate)	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	160,000	-	160,000	-	-
	28 th January 2004	1 st November 2004 – 31 st January 2009	0.42	160,000	-	160,000	-	-
	28 th January 2004	2 nd May 2005 – 31 st January 2009	0.42	160,000	-	160,000	-	-
				480,000	-	480,000	-	-
Exercisable at the end of the period								-

As at 31st March 2009, there are no share options outstanding. (The weighted average exercise price of share options outstanding as at 30th September 2008: HK\$0.42 per share.)

Options exercised during the period ended 31st March 2009 resulted in 3,480,000 shares (for the six months ended 31st March 2008: 5,100,000 shares) being issued at HK\$0.42 per share (for the six months ended 31st March 2008: HK\$0.42 per share). The related weighted average share price at the time of exercise was HK\$1.76 per share (for the six months ended 31st March 2008: HK\$1.41 per share).

15. Commitments and Arrangements

(a) Capital commitments

	As at 31 st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
Capital commitments contracted for but not provided in the Condensed Consolidated Financial Statements in respect of acquisition of property, plant and equipment	129	631

(b) Commitments and arrangements under operating leases

At 31st March 2009 and 30th September 2008, the Group had total future aggregate minimum lease receipts and payments under non-cancellable operating leases in respect of investment properties as follows:

	As at 31 st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
As lessors		
Rental receipts		
Not later than 1 year	2,452	2,359
1 year and not later than 5 years	757	711
	3,209	3,070

There was no contingent lease arrangement.

As lessees	As at 31st March 2009 HK\$'000	As at 30 th September 2008 HK\$'000
Rental payments		
Not later than 1 year	55,735	64,123
1 year and not later than 5 years	33,532	43,552
	89,267	107,675

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.

16. Related Party Transactions

Key management personnel compensation:

	Six months ended 31st March 2009 HK\$'000	2008 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	5,856	5,580
Bonuses	5,680	3,000
Retirement benefit costs	30	30
	11,566	8,610

Interim Dividend and Closure of Register of Members

The directors have declared an interim dividend of 8.0 HK cents per share and a special interim dividend of 2.0 HK cents per share for the six months ended 31st March 2009 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 10th July 2009. The Register of Members will be closed from 8th July 2009 to 10th July 2009, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim and special interim dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 7th July 2009. The relevant dividend warrants will be dispatched to shareholders on 23rd July 2009.

Liquidity and Financial Resources

At 31st March 2009, the Group had net current assets of approximately HK\$72 million (at 30th September 2008: HK\$39 million).

The Group generally finances its operations with internally generated resources. As at 31st March 2009, the Group had cash reserves of approximately HK\$124 million (at 30th September 2008: HK\$141 million).

The Group continues to follow the practice of prudent cash management. The gearing ratio is approximately 22% (at 30th September 2008: 24%), expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$196 million (at 30th September 2008: HK\$189 million).

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 into foreign exchange forward contracts.

Human Resources

As at 31st March 2009, the Group employed 1,692 staff (at 30th September 2008: 1,680 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. There is no outstanding share option as at 31st March 2009 as all remaining share options were fully subscribed during the period.

The Group is committed to nurturing a learning culture in the organisation. Heavy emphasis is placed on training and development, as the Group's success is dependent on the effort of a skilled and motivated work force.

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 HKICPA in December 1997.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31st March 2009 with management and discussed with the independent auditor on reviewing, internal control and financial reporting matters in respect of the Interim Financial Information.

Remuneration Committee

To comply with the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, a Remuneration Committee was established on 26th June 2006. The members of the Remuneration Committee comprise 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.

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 comprise 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 meets and reviews the investment directions and the portfolio mix as well as evaluating the performance of the investment portfolio.

Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31st March 2009, 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 for Securities Transactions by Directors of Listed Issuers (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				Percentage of issued share capital	
			Personal interests	Corporate interests	Family interests	Other interests	Total	
Yu Lai Si	The Company	Beneficial owner	83,056,880 ordinary	-	-	-	83,056,880 ordinary	22.5%
	Water Oasis Company Limited	Beneficial owner	330,000 non-voting deferred	-	-	-	330,000 non-voting deferred	-

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares				Total	Percentage of issued share capital
			Personal interests	Corporate interests	Family interests	Other interests		
Tam Chie Sang	The Company	Beneficial owner, interest of spouse and interest of a controlled corporation	1,500,000 ordinary	–	2,980,000 ordinary ⁽²⁾	77,666,880 ordinary ⁽¹⁾	82,146,880 ordinary	22.2%
	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	–	1,500,000 ordinary ⁽³⁾	77,666,880 ordinary ⁽¹⁾	82,146,880 ordinary	22.2%
	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	–
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 31st March 2009, 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

Movements in the Company's share options during the period were as follows:

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1 st October 2008	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31 st March 2009
Directors								
Yu Lai Si	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	3,000,000	-	3,000,000	-	-
Tam Chie Sang	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	-	-	-	-
Yu Lai Chu, Eileen	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	-	-	-	-
Yu Kam Shui, Erastus	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	-	-	-	-
Lai Yin Ping	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	-	-	-	-
				3,000,000	-	3,000,000	-	-

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1 st October 2008	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31 st March 2009
Supplier								
H ₂ O Plus, L.P.	11 th March 2002	11 th March 2002 – 10 th March 2012	1.18	-	-	-	-	-
	12 th March 2003	12 th March 2003 – 11 th March 2013	0.54	-	-	-	-	-
				-	-	-	-	-
Employees (In aggregate)								
	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	160,000	-	160,000	-	-
	28 th January 2004	1 st November 2004 – 31 st January 2009	0.42	160,000	-	160,000	-	-
	28 th January 2004	2 nd May 2005 – 31 st January 2009	0.42	160,000	-	160,000	-	-
				480,000	-	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 period 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 period.

Substantial Shareholders

As at 31st March 2009, 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	21.0%
Advance Favour Holdings Limited ⁽²⁾	Interest of a controlled corporation	38,833,440	10.5%
Billion Well Holdings Limited ⁽³⁾	Interest of a controlled corporation	38,833,440	10.5%

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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Corporate Governance

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the CG Code during the period.

Code Provision A.2.1

Code Provision A.2.1 of the CG 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.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the review period.

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

By order of the Board
Yu Lai Si
Executive Director
and Chief Executive Officer

Hong Kong, 16th June 2009

Corporate Information

Directors

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

Audit Committee

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

Remuneration Committee

Wong Chun Nam
Wong Lung Tak, Patrick, J.P.
Wong Chi Keung
Lau Mei Yin, Ivy

Investment Advisory Committee

Wong Chi Keung
Wong Lung Tak, Patrick, J.P.
Wong Chun Nam
Yu Lai Si

Company Secretary and Qualified Accountant

Mo Yuen Yee, FCCA, FCPA

Auditor

Deloitte Touche Tohmatsu

Legal Advisor

Deacons

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
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Cayman Islands
British West Indies

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Registered Office

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Mainland China 中國

Taiwan 台灣

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