2009 Annual Report
年報

Water **Oasis** Group Limited
奧 思 集 團 有 限 公 司

Stock Code 股份代號：1161

A ceaseless flow for
seamless growth

穩固根基再創佳績

CONTENTS

Corporate Profile

Water Oasis Group (the "Group") has developed rapidly to become one of the leading skin-care and beauty groups in the market since 1998. The Group has exclusive distribution rights for the renowned "~H_2O+" brand skin-care products in Hong Kong, Macau, Taiwan, Singapore and Mainland China. Since September 2008, the Group also distributes a French number one botanical beauty brand "Yves Rocher" with exclusive distributorship rights in Mainland China. In June 2009, the Group obtained an exclusive distributorship rights for a prestigious high-end Hungarian dermatologist skin-care brand "Erno Laszlo", for both Hong Kong and Mainland China. This further strengthens the Group's product range and brand portfolio, enhancing its leading position in the market.

In addition, the Group has dedicated to diversify its beauty businesses over the years, operating spa and beauty services businesses under the "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "Oasis Homme" and "Oasis Medical Centre" brands, providing a full spectrum of professional beauty services to customers.

~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 streams of the Group. As at 31st December 2009, there is a total of 268 retail outlets comprising 19 in Hong Kong, 1 in Macau, 231 in Mainland China (consisting of 116 self-managed and 115 franchised outlets), 15 in Taiwan and 2 in Singapore.

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 83 retail outlets (consisting of 51 self-managed and 32 franchised outlets) as at 31st December 2009.

Erno Laszlo

Erno Laszlo is a long-history high-end prestigious skin-care brand founded by a renowned Hungarian dermatologist Dr. Erno Laszlo in 1927 and is recommended by celebrities and Hollywood movie stars. The Group obtained an exclusive distributorship rights for both Hong Kong and Mainland China since June 2009 and has opened its first Hong Kong store in Tsim Sha Tsui, in October 2009.

Spa and Beauty

In addition to our retail operations, the Group operates a total of 18 Spa and Beauty centres in Hong Kong. This includes 2 Oasis Spa providing beauty and slimming treatments, hydro-bath and massage services, accompanying with the use of a full range of ~H_2O+ and Erno Laszlo products, as well as 11 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 2009, the Group also operates 2 Oasis Beauty centres in Beijing.

Medical Beauty

To provide a comprehensive spectrum of beauty services, the Group started the Oasis Medical Centre business in January 2008 and is now operating a total of 2 centres in Hong Kong. Manned by qualified doctor and professional therapists, the centres offer specialised medical beauty services such as laser, IPL, whitening, radio frequency, 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 past year was challenging for businesses worldwide, but it is pleasing to report that the Group has shown great resilience during this period, along with a shrewd eye for grasping new opportunities. We have performed well and have seen solid improvements in several areas of our operations, and this has put us in a strong position to continue expanding and growing our business in the immediate future.

The key to last year's impressive performance was the exercising of our traditional strengths. Careful planning was one: none of our new initiatives launched last year were undertaken hastily, and every one was well planned and tightly costed and controlled. This meant that our expansion plans were never overstretched, and our new outlets were established on a solid foundation. We also benefited from having a strong financial base, characterised by prudent investments and low gearing, which stood us in good stead in a year when many of our competitors faced serious liquidity problems. On the other hand, our ability to grasp new opportunities when they arise has ensured our continued success. A prime example was our successful acquisition of the distribution rights for the prestigious Erno Laszlo brand following the exit of the previous distributor from the market, further strengthening our revenue base. Similarly, when retail rental tumbled in response to global economic conditions, the Group quickly seized the chance to secure good location outlets on very favourable terms. This swift response to a rare opportunity has enabled us to open new outlets at relatively low cost.

Our work over the past fiscal year has set us up well for the year to come. We will continue to pursue expansion in Mainland China, which is expected to further boost turnover and maintain our strong momentum there. Our expansion plans involve not only increasing the number of ~H_2O+ retail stores in Mainland China, but also introducing new brands to this largely untapped market. We are particularly excited about the prospects for our Erno Laszlo brand, due to be launched in Mainland China in 2010, which we believe will bring many high-spending Mainland consumers into the Water Oasis fold. At the same time, we are not forgetting the enormous potential of mass market beauty products in China, and our new "Jimmy" range of cosmetics, to be launched in March 2010, look ideally suited to fill that segment.

As can be seen from our work on the new Erno Laszlo and Jimmy brands, our other major growth strategy involves expanding the range of brands in our portfolio. In the ensuing year, we will keep a close eye on opportunities for acquiring other quality brands that could complement the Group's portfolio. To keep all our brand images fresh and popular, we will also be regularly boosting sales growth by running brand enhancement and renewal campaigns. These may involve initiatives such as revamping the brand image and the design of retail outlets, fine-tuning our advertising strategies, and selecting new endorsing models to appeal to the changing tastes of consumers.

In short, we have created a strong momentum for growth through steady geographical expansion and the prudent acquisition of new brands and products. We have an established presence in and deep familiarity with the Mainland market, good relationships with Mainland retail chains and banks as well as the proven expertise in prudent financial management. In light of improving market conditions and the excellent performance of our Hong Kong beauty services division, I am very optimistic about the opportunities ahead of us in 2010.

Yu Lai Si
Executive Director and Chief Executive Officer
13th January 2010

Management Discussion and Analysis

The Group's results for the year under review were satisfactory, particularly given the unprecedented market volatility and tightened credit environment which created problems for other operators. Its business was steady across all areas of operations, and certain areas, such as its Hong Kong Oasis Beauty and Medical Beauty businesses, turned in very strong performance. On the retail side, new brands have invigorated the Group's profile over the past year, with the Yves Rocher brand well on its way to establishing itself on the Mainland, and the acquisition of the classic Erno Laszlo brand adding a further string to the Group's bow. At the end of the year 2009, the Group is excellently placed to sustain its gains in recent months and to continue its expansion strategy in 2010.

~H_2O+

MAINLAND CHINA

~H_2O+ retail sales in the Mainland China market remain one of the key drivers for the Group's growth, and there has been a continued increase in the number of ~H_2O+ outlets in Mainland China over the past year. At the end of December 2009, there were a total of 231 outlets in operation, against 192 at the end of December a year earlier, representing an increase of around 20%. ~H_2O+ retail sales have benefited from a Chinese economy that has been relatively less affected by the global financial crisis when compared with other economies, and they were also boosted by diversification in the Group's product range. The Group's prime focus in this market is to keep expanding, always in a prudent manner and with a close eye on choosing optimum locations for new outlets.

HONG KONG AND MACAU

Like Mainland China, the ~H_2O+ markets of Hong Kong and Macau have each enjoyed a robust year. The Group opened 2 additional ~H_2O+ outlets in Hong Kong during the second half of the fiscal 2009 to meet additional demand and broaden its geographical coverage, bringing to 20 the number of outlets in operation at the end of December 2009. The Group's traditional strengths in controlling costs and overheads have proven themselves again in these markets.

TAIWAN AND SINGAPORE

~H_2O+ retail sales have remained steady in these two Asian markets, and the Group continued to operate 15 outlets in Taiwan and 2 outlets in Singapore. The Group continues to place special attention on ensuring effective cost controls in these markets.

Neutrogena

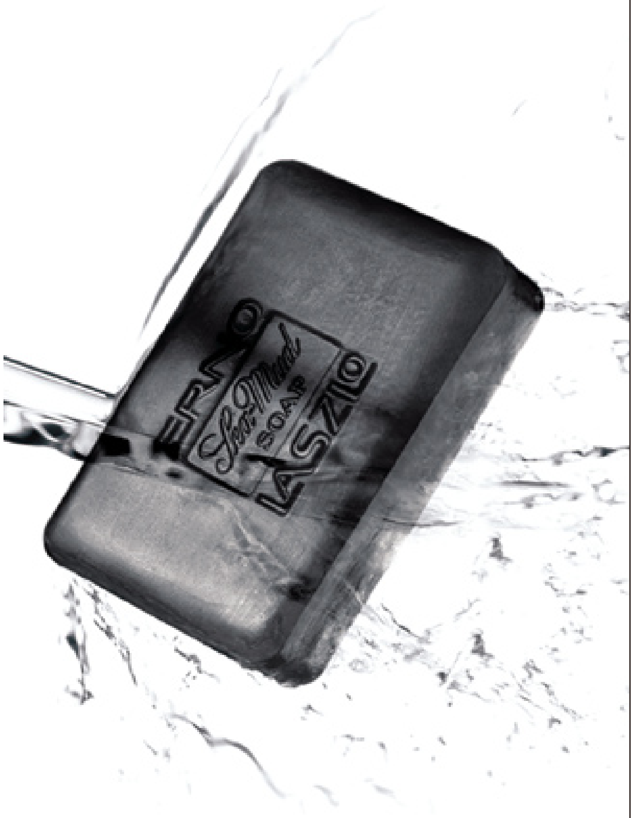
As previously reported, the Group's contract with Johnson & Johnson, the owner of the Neutrogena brand, expired on 31st March 2009. Johnson & Johnson decided not to renew the contract, and paid the Group compensation for its loss of a potentially profitable product line. This compensation payment has been reflected in the consolidated income statement for the year under review.

Yves Rocher

Development of the Group's Yves Rocher brand is still in its early stage: during the year under review, the Group has been rapidly expanding the number of its Yves Rocher outlets. At the end of December 2009 these stood at 83, up from just 7 at the start of its operation in September 2008. Existing Yves Rocher outlets have also been revamped, with design makeovers that made them more attractive to today's shoppers. In March 2009 the Group also began its Yves Rocher franchise business, which will help expand its market coverage in Mainland China.

Erno Laszlo

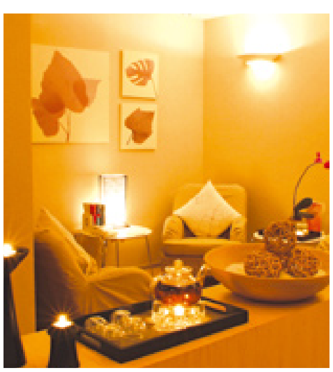
The Group is always looking for means of expanding the range of its brands and products, and during the year it successfully grasped a prime opportunity to add a highly reputable brand to its brand portfolio, the prestigious first dermatologist's skin-care brand used and recommended by celebrities and Hollywood movie stars, Erno Laszlo. In June 2009 the Group signed exclusive distributorship agreements for both Hong Kong and Mainland China (the brand not having been previously available in Mainland China). The Group's first Hong Kong store, in a prime Tsim Sha Tsui location, opened in October 2009, and has performed well. Encouraged by these early results, the Group has secured its second Erno Laszlo store, located in a premier shopping mall in Kowloon Tong. It is scheduled to open in late January 2010.



Spa and Beauty

HONG KONG

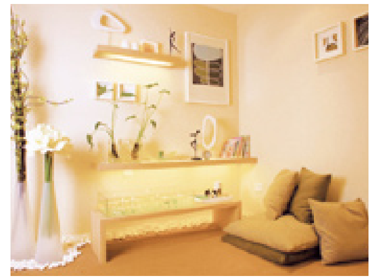
The year under review was a good one for the Group's beauty services operations, especially for its Oasis Beauty centres, which have attracted many new clients and achieved good growth in sales. This is an area where the Group's strong local reputation has served it well. Tightened credit conditions forced a number of local beauty service providers out of business, and many consumers then switched to Oasis Beauty because of its good reputation and the excellent range of unique beauty treatment options it offers. In addition, the Group has regularly upgraded its treatment facilities and added new services, keeping its Oasis Beauty operations fresh and appealing to customers. The Group's strong financial position and prudent financial management has enabled it to emerge unscathed from the tightened credit environment and secure very favourable terms from its bankers, giving it a distinct advantage over many of its competitors.



The outstanding performance of Oasis Beauty has helped the Hong Kong beauty services operations maintain a significant contribution to the Group's turnover. At the end of December 2009, the Group had 2 high-end Oasis Spa outlets and 16 Oasis Beauty/Aqua Beauty/Oasis Homme centres in operation.

MAINLAND CHINA

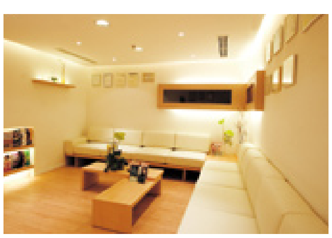
The Group operates 2 beauty centres in Beijing, which have maintained a steady performance over the past year. Both are located in prime retail and commercial locations. The Group continues to seek further suitable locations in major cities, including Beijing, Shanghai and Guangzhou.

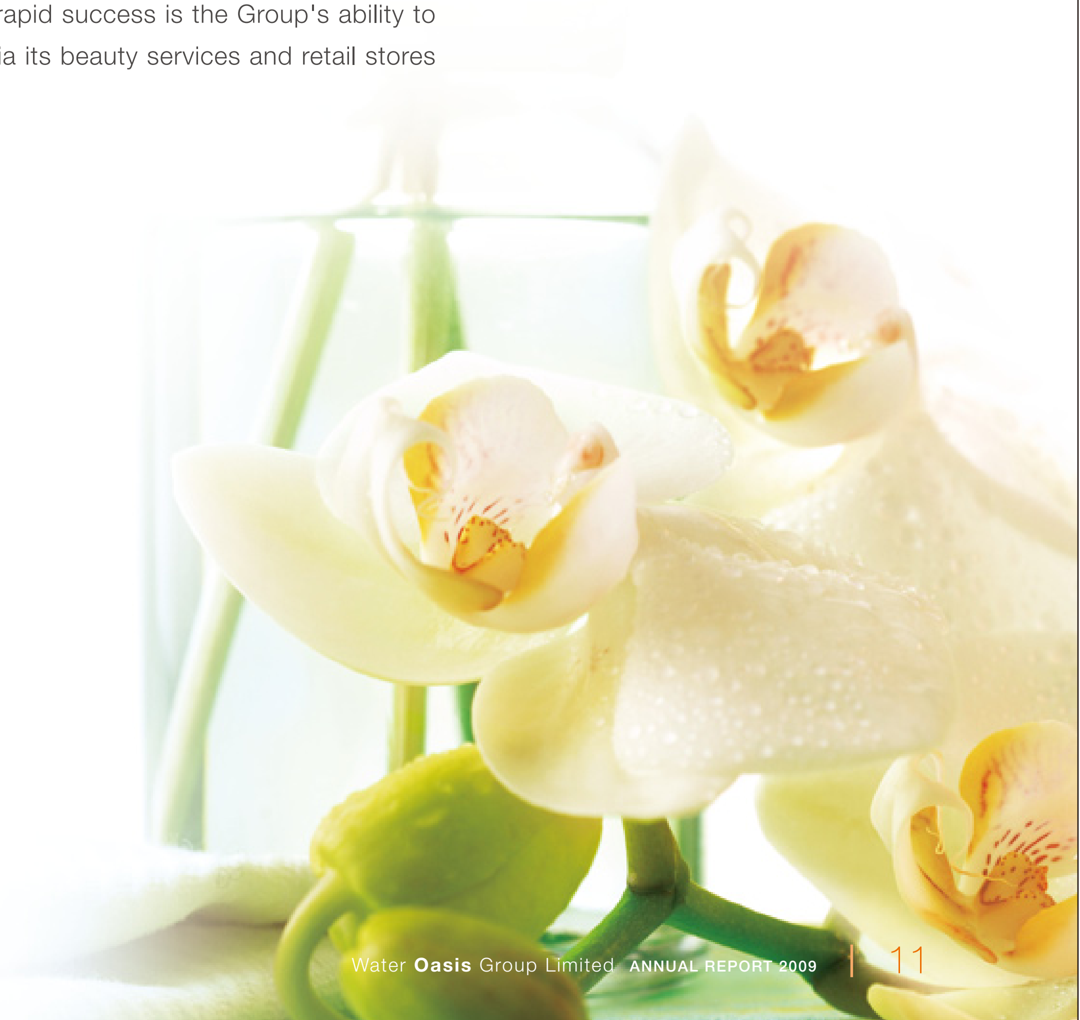


Medical Beauty

HONG KONG

The Group's first Oasis Medical Centre was launched in January 2008, and has proved very successful, quickly achieving a positive bottom line and attracting a wide range of enthusiastic clients. After just one year of operation, its early success prompted the Group to set up a second medical beauty centre, also in Causeway Bay, which was opened in late July 2009. Like the first centre, this new centre has moved quickly into profitability. With both centres performing strongly, the medical beauty arm is providing the Group with a welcome new income stream. One factor behind the rapid success is the Group's ability to cross-sell its medical beauty services via its beauty services and retail stores networks.





Post Balance-Sheet Events

On 18th December 2009, Water Oasis Group Limited (the "Company") signed the Consultancy Agreement (the "Agreement") with Luminary Capital Limited (the "Advisor") and Mr. Leung Pak To, Francis ("Mr. Leung"), who is the sole owner, Chairman and Chief Executive Officer of the Advisor. Mr. Leung has nearly 30 years of experiences in investment banking, in particular, in the field of corporate finance. He is also the Chairman (Greater China) of CVC Asia Pacific. Pursuant to the Agreement, the Advisor is engaged for a period of 24 months to provide general consultancy and financial advisory services to the Group including but not limited to (i) matters involving corporate finance and mergers and acquisitions; (ii) identifying and reviewing suitable acquisition opportunities for the Group and negotiating for and on behalf of the Group in relation to any such acquisition opportunities; and (iii) matters relating to capital structure of the Company. The directors believe the strong business connections and experiences of Mr. Leung in the field of corporate finance will benefit the Company in its pursuit of business expansion and diversification.

Prospects

With retail sales both in Mainland China and Hong Kong picking up from the middle of 2009, and beauty services in Hong Kong enjoying a strong year, the Group is confident that its prospects for the ensuing year remain encouraging and is anticipating a robust year, boosted by new market initiatives and brand launches. Turnover will expect to continue to rise in line with our ongoing expansion.

On one hand, it is always the Group's strategy to continue to expand its distribution business by adding more brands and increasing the number of outlets of its existing brands. On the other hand, to complement its existing business strategy as a brand products distributor, the Group is also actively exploring brand ownership opportunities, through both self-development and acquisition.

RETAIL ACTIVITIES

In Mainland China, the Group will continue to expand the number of its ~H_2O+ outlets. This will be accompanied by selectively pruning under-performing outlets. Thus, although the number of the Group's retail outlets will continue to grow, the rate of growth in number may be slightly lower compared with previous years. At the same time, to keep the ~H_2O+ brand fresh and vibrant, the Group will be introducing attractive new shop designs, launching a new model as the 'face' of ~H_2O+, and revising its marketing strategy accordingly.

The new Erno Laszlo brand has great potential if well marketed, and the Group has been working quite aggressively to bring it firmly back to the Hong Kong market. In fact, the opening of a second store in late January 2010 has been confirmed. As for the planned Mainland China distribution, the Erno Laszlo products are currently going through the required product registration process in preparation for an anticipated launch in the second half of 2010. As a high-end brand, with average prices consistent with an upscale market, special attention will be paid in the selection of outlets in Mainland China to ensure a successful launch in high-end department stores favoured by Mainland's high spenders. Management is confident in this brand as it sits very well with similar brands that have proven popular amongst Mainland's free-spending consumer elites.

Meanwhile, the Group is also finalising the launch of its first self-owned, managed and operated brand business "Jimmy" in March 2010 to serve the other end of the spectrum. The Group's new "Jimmy" brand range of cosmetics is aimed at the Mainland's mass and fast consumer goods market, and will be pitched at a lower price to encourage high volume sales. To maximise exposure of "Jimmy", the Group will be focusing on the second to third tier cities and extending its traditional Mainland retail outlets, taking in not just department store counters but also hypermarkets, smaller specialist cosmetics shops, and other suitable locations.

BEAUTY SERVICES

The Group remains on track with its plans to open a further Spa and Oasis Beauty centre in Hong Kong. Following the exceptional performance of its beauty's services centres, a new deluxe Spa centre with over 10,000 sq. feet floor area will be opened in Kowloon in 2010, offering premium and quality beauty experience to customers. In Mainland China, the Group is targeting expansion in other prime cities through mergers and acquisitions and/or self-development.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Ms. YU Lai Si, aged 48, 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 57, 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 57, 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 59, 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 is the managing director of that company. 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 54, 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 61, 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 56, is an independent non-executive director. Mr. Wong is a partner of Ho, Wong & Wong Solicitors & Notaries, practising commercial, corporate and tax laws. Mr. Wong has been a practising 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 54, 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 43, 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 Practising 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 42, 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 36, 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 41, 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.

Mr. HO Man Kwong, Francis, aged 56, is the Operations Director in charge of spa operations in Hong Kong. Mr. Ho has extensive experiences in slimming and beauty industry including general management, planning and launching of new products. Prior to joining the Group in 2009, Mr. Ho worked for various multinational corporations and Hong Kong listed companies.

Ms. NIP Pui Que, Phoebe, aged 45, 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 32, is the 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 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 2009.

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 2009.

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 ("AGM") 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 advices 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 advices 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 2009.

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 2009 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	2/2	2/2			1/1	1/1
TAM Chie Sang	2/2	2/2	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			3/3	1/1	1/1	1/1
WONG Chun Nam	2/2			3/3	1/1	1/1	1/1
WONG Chi Keung	2/2			3/3	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 2009, three meetings were held by the Audit Committee. At the meetings, it reviewed the final results for 2008 and the interim results for 2009 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 2009, 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 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 members 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 2009, 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 AGM.

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:

	2009 HK$'000
Statutory audit	**1,307**
Non-audit services	**382**
Total	**1,689**

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

The responsibilities of the independent auditor with respect to the 2009 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 32 to 33.

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 2009. 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 ("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 2009.

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, the distribution of Yves Rocher brand skin-care products in Mainland China and the distribution of Erno Laszlo brand skin-care products in Hong Kong. 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", "Oasis Homme" and "Oasis Medical Centre", which provide a full spectrum of professional beauty services. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

Details of the Company's principal subsidiaries at 30th September 2009 are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September 2009 are set out in the consolidated income statement on page 34.

The directors recommended a final dividend of 10.0 HK cents per share for the year ended 30th September 2009 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 16th March 2010. Subject to the passing of the relevant resolution at the forthcoming AGM of the Company, the final dividend will be payable on 30th March 2010.

PROPOSED BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue of shares (the "Bonus Share Issue") on the basis of one new ordinary share ("Bonus Share") of HK$0.10, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the Register of Members of the Company at the close of business on 16th March 2010 (the "Record Date"), other than those members whose addresses as shown on the Register of Members of the Company at the close of business on the Record Date are in places outside Hong Kong and in respect of whom the directors of the Company consider the exclusion from the Bonus Share Issue to be necessary or expedient in accordance with the Listing Rules.

The Bonus Shares will rank pari passu in all respects with the existing ordinary shares of the Company from their date of issue except that they will not rank for any dividend declared or recommended by the Company in respect of the financial year ended 30th September 2009. Fractional entitlements to Bonus Shares will not be allotted to the shareholders of the Company and will be aggregated and sold for the benefit of the Company.

The Bonus Share Issue is conditional upon:

(i) the passing of an ordinary resolution by the shareholders of the Company at the forthcoming AGM for approving the Bonus Share Issue; and

(ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Bonus Shares.

The necessary resolution will be proposed at the forthcoming AGM.

ADJUSTMENT TO THE NUMBER OF OPTION SHARES AND THE OPTION PRICE

Pursuant to the Agreement, the Company has conditionally granted to the Advisor the right (the "Option") to require the Company to issue up to 36,955,600 shares (the "Option Shares") at the price of HK$2.26 (the "Option Price") per Option Share during a period of 36 months commenced on the date of the Agreement and ending on 17th December 2012 (the "Option Period") to the Advisor or at the Advisor's direction, Mr. Leung or his nominee(s) (the "Nominee(s)"). Please refer to the announcement of the Company dated 20th December 2009 for details of the Agreement and the Option. The grant of the Option has become unconditional upon the Stock Exchange granting the listing of, and permission to deal in, the Option Shares.

The Agreement provides, among other things, that if there is an alteration in the capital structure of the Company during the Option Period by way of bonus issue, corresponding adjustments shall be made to (a) the number or nominal amount of the Option Shares then remaining subject to the Option so far as unexercised and/or (b) the Option Price, so as to give the Advisor or the Nominee(s) the same proportion of the equity capital of the Company as that to which the Advisor or the Nominee(s) was previously entitled.

Following the Bonus Share Issue, the number of the Option Shares and the Option Price will be adjusted to 73,911,200 shares and HK$1.13 per Option Share respectively with effect from the first day of dealings in the Bonus Shares so as to give the Advisor or the Nominee(s) the same proportion of the equity capital of the Company as enlarged by the Bonus Share Issue.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September 2009 are set out in note 27 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity to the consolidated financial statements on page 36.

INVESTMENT PROPERTIES

The value of the investment properties as at 30th September 2009 was measured using the fair value model. Details of which are set out in note 15 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 16 to the consolidated financial statements.

PREPAID LEASE PAYMENTS

Details of prepaid lease payments of the Group are set out in note 17 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 81.

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, Wong Lung Tak, Patrick, J.P. and Wong Chun Nam would retire by rotation at the forthcoming AGM 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.

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 AGM 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 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 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	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	–
Tam Chie Sang	The Company	Interest of spouse and interest of a controlled corporation	–	–	2,980,000 ordinary[2]	77,666,880 ordinary[1]	80,646,880 ordinary	21.8%
	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	–

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 Chu, Eileen	The Company	Beneficial owner and interest of a controlled corporation	2,980,000 ordinary	–	–	77,666,880 ordinary[(1)]	80,646,880 ordinary	21.8%
	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	–
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 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

Particulars of the Company's share option scheme are set out in note 27 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 2008	Granted	Exercised	Cancelled/ Lapsed	Balance as at 30th September 2009
Director								
Yu Lai Si	28th January 2004	3rd May 2004 – 31st January 2009	0.42	3,000,000	–	3,000,000	–	–
				3,000,000	–	3,000,000	–	–
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	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 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, there is no outstanding share option as approximately 3.5 million shares available for issue under the share option scheme, representing 0.9% of the issued share capital of the Company as at 30th September 2009, have been fully exercised during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 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.

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 2009, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 90% of the Group's total purchase. Whereas the aggregate turnover attributable to the Group's five largest customers was less than 1% of the Group's total turnover.

DISTRIBUTABLE RESERVES

As at 30th September 2009, distributable reserves of the Company amounted to approximately HK$44.5 million (2008: HK$50.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position remains very strong. Its cash and bank deposits as at 30th September 2009 amounted to approximately HK$145.8 million (2008: HK$141.4 million). 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$196.6 million (2008: HK$189.4 million), is approximately 21% (2008: 24%).

The Group continues to follow the practice of prudent cash management. The Group has little exposure to foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territory, United States Dollars and Japanese Yen. 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 2009, the Group employed 1,579 staff (2008: 1,680). 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. There is no outstanding share option as at 30th September 2009 as all remaining share options were fully exercised during the year.

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

During the year ended 30th September 2009, 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 2009 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.

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 2009 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 AGM of the Company.

On Behalf of the Board

YU Lai Si
Executive Director and Chief Executive Officer

Hong Kong, 13th January 2010

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 the 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 34 to 80, which comprise the consolidated balance sheet as at 30th September 2009, 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, 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. 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 2009 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, 13th January 2010

Consolidated Income Statement

	Notes	2009 HK$'000	2008 HK$'000
		FOR THE YEAR ENDED 30TH SEPTEMBER	
Turnover	7	**920,955**	846,569
Purchases and changes in inventories of finished goods		**(234,810)**	(193,002)
Other income		**13,831**	3,439
Increase in fair value of investment properties	15	**4,000**	4,400
Staff costs	12	**(243,032)**	(223,969)
Depreciation of property, plant and equipment		**(25,196)**	(22,507)
Other expenses		**(334,588)**	(314,639)
Profit before taxation		**101,160**	100,291
Taxation	8	**(17,729)**	(22,123)
Profit for the year	9	**83,431**	78,168
Attributable to:			
Equity holders of the Company		**80,991**	71,237
Minority interests		**2,440**	6,931
		83,431	78,168
Dividends	10	**73,912**	79,107
Earnings per share			
Basic	11	**22.0 HK cents**	19.7 HK cents
Diluted	11	**21.9 HK cents**	19.5 HK cents

Consolidated Balance Sheet

	Notes	2009 HK$'000	2008 HK$'000
		AS AT 30TH SEPTEMBER	
Non-current assets			
Intangible assets	14	**1,044**	1,125
Investment properties	15	**37,700**	33,700
Property, plant and equipment	16	**40,795**	43,905
Prepaid lease payments	17	**75,362**	75,452
Rental deposits	18	**18,984**	17,175
Goodwill	19	**966**	966
Deferred tax assets	29	**5,291**	4,418
Financial assets at fair value through profit or loss	20	**–**	17,328
		180,142	194,069
Current assets			
Inventories	21	**99,767**	65,941
Prepaid lease payments	17	**90**	90
Financial assets at fair value through profit or loss	20	**–**	4,203
Trade receivables	22	**72,031**	73,312
Prepayments		**24,511**	26,654
Other deposits and receivables		**15,527**	16,078
Tax recoverable		**253**	–
Bank balances and cash	23	**145,794**	141,423
		357,973	327,701
Current liabilities			
Trade payables	24	**21,547**	11,898
Accruals and other payables		**91,770**	86,329
Receipts in advance	25	**166,831**	170,242
Secured mortgage loan – due within one year	26	**2,631**	2,529
Tax payable		**11,976**	17,744
		294,755	288,742
Net current assets		**63,218**	38,959
Total assets less current liabilities		**243,360**	233,028
Capital and reserves			
Share capital	27	**36,956**	36,608
Reserves		**146,704**	144,053
Equity attributable to equity holders of the Company		**183,660**	180,661
Minority interests		**12,930**	8,715
Total equity		**196,590**	189,376
Non-current liabilities			
Pension obligations	28	**339**	407
Secured mortgage loan – due after one year	26	**39,589**	42,265
Deferred tax liabilities	29	**6,842**	980
		46,770	43,652
		243,360	233,028

The consolidated financial statements on pages 34 to 80 were approved and authorised for issue by the Board of Directors on 13th January 2010 and are signed on its behalf by:

TAM Chie Sang
Executive Director

YU Lai Si
Executive Director

Consolidated Statement of Changes in Equity

	Notes	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
		Attributable to equity holders of the Company									
At 1st October 2007		35,674	32,618	4,471	(1,766)	450	–	95,734	167,181	2,597	169,778
Exchange differences arising from translation		–	–	8,513	–	–	–	–	8,513	–	8,513
Profit for the year		–	–	–	–	–	–	71,237	71,237	6,931	78,168
Total recognised income for the year		–	–	8,513	–	–	–	71,237	79,750	6,931	86,681
Acquisition of a subsidiary	30	–	–	–	–	–	–	–	–	196	196
Issue of shares upon exercise of share options	27	934	5,587	–	–	–	–	–	6,521	–	6,521
2007 final and special dividends paid		–	–	–	–	–	–	(36,183)	(36,183)	–	(36,183)
2008 interim and special dividends paid		–	–	–	–	–	–	(36,608)	(36,608)	–	(36,608)
Dividends payable to a minority shareholder		–	–	–	–	–	–	–	–	(1,088)	(1,088)
Capital contribution from minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	79	79
Transfer to statutory fund reserve		–	–	–	–	–	1,797	(1,797)	–	–	–
		934	5,587	–	–	–	1,797	(74,588)	(66,270)	(813)	(67,083)
At 30th September 2008		36,608	38,205	12,984	(1,766)	450	1,797	92,383	180,661	8,715	189,376
Exchange differences arising from translation		**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**80,991**	**80,991**	**2,440**	**83,431**
Total recognised income for the year		**–**	**–**	**2**	**–**	**–**	**–**	**80,991**	**80,993**	**2,440**	**83,433**
Issue of shares upon exercise of share options	27	**348**	**1,113**	**–**	**–**	**–**	**–**	**–**	**1,461**	**–**	**1,461**
2008 final and special dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**(42,499)**	**(42,499)**	**–**	**(42,499)**
2009 interim and special dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**(36,956)**	**(36,956)**	**–**	**(36,956)**
Dividends payable to a minority shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,022)**	**(2,022)**
Capital contribution from minority shareholders of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,797**	**3,797**
		348	**1,113**	**–**	**–**	**–**	**–**	**(79,455)**	**(77,994)**	**1,775**	**(76,219)**
At 30th September 2009		**36,956**	**39,318**	**12,986**	**(1,766)**	**450**	**1,797**	**93,919**	**183,660**	**12,930**	**196,590**

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.

As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in the PRC are required to maintain a statutory fund reserve which is non-distributable. Transfer to this reserve fund are made out of profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

Consolidated Cash Flow Statement

	FOR THE YEAR ENDED 30TH SEPTEMBER	
	2009	2008
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**101,160**	100,291
Adjustments for:		
Amortisation of intangible assets	**428**	465
Amortisation of prepaid lease payments	**90**	8
Decrease in fair value of financial assets at fair value through profit or loss	**–**	16,492
Depreciation of property, plant and equipment	**25,196**	22,507
Dividend income from listed investments	**–**	(290)
Loss (gain) on disposal/write-off of property, plant and equipment	**18**	(375)
Increase in fair value of investment properties	**(4,000)**	(4,400)
Interest expenses on secured mortgage loan	**950**	91
Interest income on bank deposits	**(662)**	(1,495)
Loss on disposal of financial assets at fair value through profit or loss	**3,610**	4,530
Operating cash flows before movements in working capital	**126,790**	137,824
Increase in inventories	**(33,826)**	(12,941)
Decrease (increase) in trade receivables	**1,281**	(10,026)
Decrease (increase) in rental deposits, prepayments, other deposits and receivables	**885**	(8,016)
Decrease in financial assets at fair value through profit or loss	**–**	1,173
Increase in trade payables	**9,649**	6,539
Increase in accruals and other payables	**4,847**	4,235
(Decrease) increase in receipts in advance	**(3,411)**	30,081
Decrease in pension obligations	**(68)**	(66)
Cash generated from operations	**106,147**	148,803
Hong Kong Profits Tax paid	**(4,438)**	(4,480)
Overseas tax paid	**(14,323)**	(9,629)
Net cash from operating activities	**87,386**	134,694

Consolidated Cash Flow Statement (Continued)

	Note	FOR THE YEAR ENDED 30TH SEPTEMBER 2009 HK$'000	2008 HK$'000
Investing activities			
Purchase of prepaid lease payments		–	(75,550)
Purchase of financial assets at fair value through profit or loss		–	(41,060)
Purchase of property, plant and equipment		(24,270)	(38,915)
Acquisition of a subsidiary	30	–	(1,029)
Increase in intangible assets		(347)	(527)
Proceeds on disposal of financial assets at fair value through profit or loss		17,921	17,397
Interest received on bank deposits		662	1,495
Proceeds on disposal of property, plant and equipment		2,166	381
Dividends received from listed investments		–	290
Net cash used in investing activities		(3,868)	(137,518)
Financing activities			
Dividends paid		(79,455)	(72,791)
Repayment of secured mortgage loan		(2,574)	(206)
Dividends paid to a minority shareholder of a subsidiary		(1,428)	–
Interest paid		(950)	(91)
Secured mortgage loan raised		–	45,000
Proceeds from exercise of share options		1,461	6,521
Capital contribution from minority shareholders of subsidiaries		3,797	79
Net cash used in financing activities		(79,149)	(21,488)
Net increase (decrease) in cash and cash equivalents		4,369	(24,312)
Cash and cash equivalents at beginning of the year		141,423	161,915
Effect of foreign exchange rate changes		2	3,820
Cash and cash equivalents at end of the year, represented by bank balances and cash		145,794	141,423

Notes to the Consolidated Financial Statements

1. GENERAL

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 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 functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's accounting year beginning on 1st October 2008.

HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
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
HK(IFRIC) – Int 18	Transfers of Assets from Customers

The adoption of HK(IFRIC) – Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty programme, as described in the accounting policy for revenue recognition in note 3 below. The effect of HK(IFRIC) – Int 13 was immaterial. Accordingly, no prior year adjustment has been recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

The adoption of the other new HKFRSs had not resulted in any change in accounting policy of the Group. Accordingly, no prior year adjustment is required.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The potential effects are set out below.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective to the Group from 1st October 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and to present them as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

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.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost less any accumulated impairment losses and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currencies

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 the consolidated income statement in the period in which they arise.

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. HK$) 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. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the supply of goods or services, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method. The principal annual rates used for this purpose are as follows:

Building	Over the remaining lease terms
Leasehold improvements	Over the unexpired periods of the leases
Motor vehicles	20% to 33⅓%
Computer equipment	33⅓%
Machinery and equipment	20%
Office equipment, furniture and fixtures	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold Land and Buildings

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, except for those that are classified and accounted for as investment properties under the fair value model.

Intangible Assets

Expenditure on acquiring licenses for sale of products is carried at cost less accumulated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment Losses on Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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.

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 the 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.

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 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 on an effective interest basis except for those financial assets designated as at fair value through profit or loss, of which interest income is included in net gain or loss.

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 as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- 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 the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes 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 of financial assets below).

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 affected.

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 re-organisation.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

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 the 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 the 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 loss was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed 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 on an effective interest basis.

Financial liabilities

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

Equity instruments

Equity instruments issued by the Company 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 and receivable is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Employee Benefits

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.

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.

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 cost 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits (Continued)

Share-based Compensation

The financial impact of share options granted and vested before 1st January 2005 is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and 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.

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 and sales related taxes.

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.

Sales of goods that resulted in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their far value, taking into account the fair value of the products for which the award credits could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits expired or are redeemed and the Group's obligations have been fulfilled.

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

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 revenue.

Interest Income

Interest income is recognised using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as Lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements and estimates 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 is the critical judgement, 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 the 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 from the estimated amount adopted by the management.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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 2009 was approximately HK$18,620,000 (2008: HK$20,815,000). The Group's management determines the estimated useful lives based on the 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 the current estimated useful lives are less than previous estimated useful lives.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Company and 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, including secured mortgage loan as disclosed in note 26 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 or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
At fair value through profit or loss	–	21,531
Loans and receivables (including cash and cash equivalents)	**237,845**	236,954
Financial liabilities		
Amortised cost	**74,892**	64,123

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include financial assets at fair value through profit or loss, 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 credit risk, market risks (currency risk and interest rate 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 2009, 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 is arising from 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 manages its credit risk by performing regular reviews of the aging profile of trade receivables.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and Mainland China which accounted for 93% (2008: 93%) of the total trade receivables as at 30th September 2009.

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

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(ii) Market Risks

Currency Risk

The functional currencies of the Group's principal subsidiaries are either HK$ 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.

At the balance sheet date, the carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2009 HK$'000	2008 HK$'000
Assets		
United States Dollars ("US$")	**5,256**	1,666
Liabilities		
US$	**6,539**	2,807
Japanese Yen ("Yen")	**5,554**	2,170

Sensitivity analysis

For group entities with their functional currency in HK$, the currency risk is considered to be minimal for US$ denominated monetary assets and liabilities as HK$ is pegged to US$.

The following table details the Group's sensitivity to a 5% appreciation and depreciation in the functional currencies of the relevant group entities against respective foreign currencies. 5% is the sensitivity rate used when reporting foreign currencies risk internally to key management personnel and represents management's assessment of the reasonably change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where the functional currency of the group entity strengthens 5% against the above foreign currencies and vice versa.

	2009 HK$'000	2008 HK$'000
Increase (decrease) in profit for the year		
RMB against US$	**287**	(16)
RMB/HK$ against Yen	**278**	109

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(ii) Market Risks (Continued)

Cash Flow Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and secured mortgage loan. Details of the Group's bank balances and secured mortgage loan are disclosed in notes 23 and 26 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 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 bank's Best Lending Rate as set out in note 26.

Sensitivity analysis

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

	2009 HK$'000	2008 HK$'000
Financial assets	**108,032**	107,145
Financial liabilities	**42,220**	44,794

The interest rate risk from financial assets is considered to be insignificant.

On the basis of the above analysis and assuming the amount of financial liabilities outstanding at the balance sheet date were outstanding for the whole year, the Group's post-tax profit for the year ended 30th September 2009 would decrease by HK$176,000 (2008: HK$187,000) and vice versa if interest rates had been 50 basis points higher and all other variables were held constant. A 50 basis points 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.

6. 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 tables

	Weighted average interest rate %	Less than 1 month HK$'000	1 month to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 year to less than 5 years HK$'000	5 years or more HK$'000	Total undiscounted cash flows HK$'000	Carrying amount as at 30th September 2009 HK$'000
2009								
Non-derivative financial liabilities								
Trade payables	–	19,450	2,097	–	–	–	21,547	21,547
Other payables	–	11,125	–	–	–	–	11,125	11,125
Secured mortgage loan	2.15	293	585	2,635	14,052	31,324	48,889	42,220
		30,868	2,682	2,635	14,052	31,324	81,561	74,892

	Weighted average interest rate %	Less than 1 month HK$'000	1 month to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 year to less than 5 years HK$'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	11,898
Other payables	–	7,431	–	–	–	–	7,431	7,431
Secured mortgage loan	2.4	298	596	2,682	14,301	35,455	53,332	44,794
		18,078	2,145	2,682	14,301	35,455	72,661	64,123

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair Value

The fair value of financial assets designated as at fair value through profit or loss is 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 is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

7. TURNOVER AND SEGMENT INFORMATION

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

	2009 HK$'000	2008 HK$'000
Turnover		
Sales of goods	**647,774**	600,840
Rendering of services	**273,181**	245,729
	920,955	846,569

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		Total	
	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	**647,774**	600,840	**273,181**	245,729	**–**	–	**920,955**	846,569
Inter-segment sales	**25,458**	22,680	**–**	–	**(25,458)**	(22,680)	**–**	–
Total	**673,232**	623,520	**273,181**	245,729	**(25,458)**	(22,680)	**920,955**	846,569
Segment results	**84,032**	110,280	**55,219**	50,862	**–**	–	**139,251**	161,142
Other income							**13,831**	3,439
Increase in fair value of investment properties							**4,000**	4,400
Unallocated corporate expenses							**(55,922)**	(68,690)
Profit before taxation							**101,160**	100,291
Taxation							**(17,729)**	(22,123)
Profit for the year							**83,431**	78,168

7. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

	Retail		Services		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
ASSETS						
Segment assets	**318,144**	289,492	**85,073**	81,899	**403,217**	371,391
Unallocated assets					**134,898**	150,379
Total assets					**538,115**	521,770
LIABILITIES						
Segment liabilities	**101,756**	88,480	**172,452**	171,196	**274,208**	259,676
Unallocated liabilities					**67,317**	72,718
Total liabilities					**341,525**	332,394
OTHER INFORMATION						
Depreciation of property, plant and equipment	**14,158**	14,517	**11,038**	7,990	**25,196**	22,507
Amortisation of intangible assets	**428**	465	**–**	–	**428**	465
Amortisation of prepaid lease payments	**90**	8	**–**	–	**90**	8
Capital expenditures	**15,391**	102,041	**9,226**	12,951	**24,617**	114,992

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

7. TURNOVER AND SEGMENT INFORMATION (Continued)

Secondary Reporting Format – Geographical Segments

	Turnover		Capital expenditures		Total assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong and Macau	**391,706**	365,942	**10,377**	97,779	**148,558**	148,367
Mainland China	**478,349**	428,814	**13,909**	16,242	**234,270**	201,785
Taiwan	**42,587**	43,168	**305**	964	**18,411**	18,187
Singapore	**8,313**	8,645	**26**	7	**1,978**	3,052
	920,955	846,569	**24,617**	114,992	**403,217**	371,391
Unallocated assets					**134,898**	150,379
					538,115	521,770

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

8. TAXATION

	2009 HK$'000	2008 HK$'000
Current taxation		
Hong Kong Profits Tax	**2,567**	6,531
Overseas taxation	**12,620**	16,677
Over provision in prior years	**(2,447)**	(1,512)
	12,740	21,696
Deferred taxation (note 29)		
Current year	**4,989**	207
Effect of a change in tax rate	**–**	220
	4,989	427
	17,729	22,123

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

8. TAXATION (Continued)

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 30th September 2008) on the assessable profits except those profits derived from the Waigaoqiao Free Trade Zone and Pudong New Area which were taxed at a preferential rate of 20% (2008: 18%). The preferential rate would gradually increase to 25% by the year 2012 pursuant to the relevant governmental notices. On 28th November 2008, a subsidiary of the Group in Waigaoqiao Free Trade Zone was further qualified as an "operating centre" and entitled to certain tax reductions.

Taxation on remaining overseas profits has been calculated at the rates of taxation prevailing in the countries/places in which the Group operates.

Starting from 1st January 2008, 10% withholding tax has been 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 the Group's PRC subsidiaries accordingly.

The taxation for the year can be reconciled to the profit per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	**101,160**	100,291
Tax at Hong Kong Profits Tax rate of 16.5%	**16,691**	16,548
Effect of different tax rates applied in other jurisdictions	**4,165**	5,786
Tax effect of income not taxable for tax purpose	**(421)**	(1,000)
Tax effect of expenses not deductible for tax purpose	**862**	162
Utilisation of tax losses previously not recognised	**(3,167)**	(353)
Tax effect of tax losses not recognised	**745**	4,211
Over provision in prior years	**(2,447)**	(1,512)
Effect of a change in tax rate	**–**	220
Effect of tax reduction granted to subsidiaries	**(1,140)**	–
Tax effect of withholding tax arising from undistributable profit of subsidiaries	**5,260**	–
Income tax at preferential rates	**(3,054)**	(2,223)
Others	**235**	284
Taxation for the year	**17,729**	22,123

9. PROFIT FOR THE YEAR

Profit for the year is stated at after crediting (charging) the following:

	2009 HK$'000	2008 HK$'000
Amortisation of intangible assets	**(428)**	(465)
Amortisation of prepaid lease payments	**(90)**	(8)
Auditor's remuneration	**(1,307)**	(1,307)
Decrease in fair value of financial assets at fair value through profit or loss	**–**	(16,492)
Dividend income from listed investments	**–**	290
Interest expenses on secured mortgage loan	**(950)**	(91)
Interest income on bank deposits	**662**	1,495
(Loss) gain on disposal/write-off of property, plant and equipment	**(18)**	375
Loss on disposal of financial assets at fair value through profit or loss (note 20)	**(3,610)**	(4,530)
Net exchange (loss) gain	**(1,777)**	813
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**(60,783)**	(55,239)
– contingent rent	**(4,819)**	(4,804)
Rental income from investment properties	**2,719**	1,293

10. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim dividend declared and paid of 8.0 HK cents (2008: 8.0 HK cents) per share	**29,565**	29,286
Special interim dividend declared and paid of 2.0 HK cents (2008: 2.0 HK cents) per share	**7,391**	7,322
	36,956	36,608
Final dividend proposed after balance sheet date of 10.0 HK cents (2008: 9.5 HK cents) per share	**36,956**	35,108
Special final dividend proposed after balance sheet date of nil (2008: 2.0 HK cents) per share	**–**	7,391
	36,956	42,499
	73,912	79,107

10. DIVIDENDS (Continued)

The 2009 final dividend of 10.0 HK cents per share, amounting to approximately HK$36,956,000 (2008: final dividend and special dividend of HK$35,108,000 and HK$7,391,000 respectively), has been proposed by the directors after the balance sheet date and is subject to approval by the shareholders in the general meeting. This proposed dividend has not been recognised as distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September 2009 were approximately HK$79,455,000 (2008: HK$72,791,000).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Profit for the year attributable to equity holders of the Company	**80,991**	71,237

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**368,880,384**	361,565,672
Effect of dilutive potential ordinary shares in respect of share options	**514,047**	4,475,760
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**369,394,431**	366,041,432

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$'000	2008 HK$'000
Wages, salaries, bonuses and allowances	**228,909**	209,977
Pension costs – defined benefit plan (note 28)	**(68)**	(66)
Pension costs – defined contribution plans	**15,589**	12,229
Unutilised annual leave	**(1,398)**	1,829
	243,032	223,969

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' Emoluments

Name of directors	Fees HK$'000	Basic salaries and housing allowances HK$'000	Bonuses HK$'000	Retirement benefit costs HK$'000	2009 Total emoluments HK$'000	2008 Total emoluments HK$'000
Yu Lai Si[4]	–	6,900	2,840	12	**9,752**	7,954
Tam Chie Sang	–	897	710	12	**1,619**	1,284
Yu Lai Chu, Eileen	–	897	710	12	**1,619**	1,284
Yu Kam Shui, Erastus	–	1,314	710	12	**2,036**	1,818
Lai Yin Ping	–	897	710	12	**1,619**	1,284
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 2009	450	10,905	5,680	60	**17,095**	
Total for the year 2008	450	10,564	3,000	60		14,074

(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 27.

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2008: one director) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2008: four) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing and other allowances	**8,617**	7,871
Bonuses	**1,506**	1,109
Retirement benefit costs	**36**	48
	10,159	9,028

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

(b) Five Highest Paid Individuals (Continued)

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

Their emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**2**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–
	3	4

For both years, 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.

14. INTANGIBLE ASSETS

	License fees	
	2009 **HK$'000**	2008 HK$'000
At the beginning of the year	**1,125**	1,063
Additions	**347**	527
Amortisation charge	**(428)**	(465)
At the end of the year	**1,044**	1,125
Cost	**6,939**	6,592
Accumulated amortisation	**(5,895)**	(5,467)
Carrying value	**1,044**	1,125

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

15. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
FAIR VALUE		
At the beginning of the year	**33,700**	29,300
Increase in fair value recognised in the consolidated income statement	**4,000**	4,400
At the end of the year	**37,700**	33,700

The Group's investment properties at their fair values are analysed as follows:

	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of 50 years	**31,200**	27,500
Leases of over 50 years	**6,500**	6,200
	37,700	33,700

The fair value of the Group's investment properties at 30th September 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group.

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.

16. 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 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 (note 30)	–	130	–	105	–	21	256
Eliminated on disposals	–	–	(1,336)	(39)	–	(382)	(1,757)
Eliminated on write-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 write-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
Carrying value							
At 30th September 2008	5,970	20,815	1,737	2,509	10,398	2,476	43,905
Cost							
At 1st October 2008	**5,986**	**103,043**	**3,284**	**9,550**	**28,654**	**9,386**	**159,903**
Additions	**–**	**16,649**	**563**	**2,167**	**4,103**	**788**	**24,270**
Eliminated on disposals	**–**	**(6,115)**	**(371)**	**(1,675)**	**(119)**	**(862)**	**(9,142)**
Eliminated on write-off	**–**	**(9,124)**	**–**	**(701)**	**(6)**	**(194)**	**(10,025)**
At 30th September 2009	**5,986**	**104,453**	**3,476**	**9,341**	**32,632**	**9,118**	**165,006**
Accumulated depreciation							
At 1st October 2008	**16**	**82,228**	**1,547**	**7,041**	**18,256**	**6,910**	**115,998**
Provided for the year	**176**	**17,602**	**812**	**1,536**	**4,004**	**1,066**	**25,196**
Eliminated on disposals	**–**	**(4,947)**	**(339)**	**(974)**	**(41)**	**(776)**	**(7,077)**
Eliminated on write-off	**–**	**(9,050)**	**–**	**(701)**	**(6)**	**(149)**	**(9,906)**
At 30th September 2009	**192**	**85,833**	**2,020**	**6,902**	**22,213**	**7,051**	**124,211**
Carrying value							
At 30th September 2009	**5,794**	**18,620**	**1,456**	**2,439**	**10,419**	**2,067**	**40,795**

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$81,500,000 and the transaction was completed on 29th August 2008. The building element and land element to the property were accounted for in the property, plant and equipment and prepaid lease payments separately.

The Group has pledged its buildings with a carrying value of approximately HK$5,794,000 (2008: HK$5,970,000) to secure the mortgage loan granted to the Group.

17. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Current asset	**90**	90
Non-current asset	**75,362**	75,452
	75,452	75,542

The Group has pledged all its prepaid lease payments to secure the mortgage loan granted to the Group.

18. RENTAL DEPOSITS

Rental deposits are carried at amortised cost using the effective interest rate of 2% (2008: 2%) per annum.

19. GOODWILL

	HK$'000
COST	
Acquisition of a subsidiary in 2008 (note 30) and balance at 30th September 2009 and 2008	966

The goodwill is related to the advertising business within the Group's service segment, which is 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 discounted cash flow projections based on financial budgets approved by management in the coming year and a discount rate of 8%. 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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
Structured deposits held at banks	–	21,531

Analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Current asset	–	4,203
Non-current asset	–	17,328
	–	21,531

The structured deposits as at 30th September 2008 carried the right to receive interest ranging from 6% to 20% per annum subject to the price performance of certain designated Hong Kong listed shares during the deposit periods. During the year ended 30th September 2009, the Group early redeemed the structured deposits and received a predetermined number of shares of a designated Hong Kong listed company. The Group disposed these shares at a consideration of approximately HK$17,921,000, resulting in a loss of approximately HK$3,610,000 which has been charged to the consolidated income statement.

The structured deposits as at 30th September 2008 included one or more embedded derivatives and were designated as financial assets at fair value through profit or loss upon initial recognition. Fair value changes at each measurement date were determined based on values provided by banks using their designated valuation methods.

21. INVENTORIES

	2009 HK$'000	2008 HK$'000
Finished goods – merchandises	**99,767**	65,941

22. TRADE RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**72,809**	74,090
Less: allowance for bad and doubtful debts	**(778)**	(778)
Total trade receivables	**72,031**	73,312

The Group allows credit terms of 30 days to 90 days to its trade debtors. The following is an aging analysis of trade receivables, net of allowance for bad and doubtful debts, at the balance sheet date:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**59,898**	67,011
31 days to 60 days	**6,115**	5,423
61 days to 90 days	**1,099**	178
Over 90 days	**4,919**	700
	72,031	73,312

Trade receivables are mainly denominated in the functional currencies of respective group entities.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$4,919,000 (2008: HK$700,000) which were past due but not required impairment as at the reporting date. The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at an average rate of 0.01% (2008: 1.0%) per annum.

24. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**19,054**	10,349
31 days to 60 days	**2,493**	1,549
	21,547	11,898

The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

Other than those trade payables which are denominated in the functional currencies of respective group entities, certain trade payables are denominated in US$ and Yen, which are foreign currencies.

25. 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.

26. SECURED MORTGAGE LOAN

	2009 HK$'000	2008 HK$'000
Carrying amount repayable:		
Within 1 year	**2,631**	2,529
1 year to less than 2 years	**2,689**	2,590
2 years to less than 3 years	**2,746**	2,652
3 years to less than 4 years	**2,807**	2,716
4 years to less than 5 years	**2,867**	2,783
5 years or more	**28,480**	31,524
	42,220	44,794
Less: Amount due within 1 year included in current liabilities	**(2,631)**	(2,529)
	39,589	42,265

The secured mortgage loan is secured by the Group's building and prepaid lease payments. It bears interest at 2.85% per annum below the bank's Best Lending Rate. The effective interest rate is approximately 2.15% (2008: 2.40%) per annum.

The Group's secured mortgage loan is denominated in HK$.

27. SHARE CAPITAL

	2009 HK$'000	2008 HK$'000
Authorised:		
1,000,000,000 (2008: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
369,556,000 (2008: 366,076,000) ordinary shares of HK$0.1 each	**36,956**	36,608

	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
Issue of new shares upon exercise of share options	3,480,000	348
At 30th September 2009	369,556,000	36,956

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 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 shares 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.

27. 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 2008	Granted	Exercised	Cancelled/ Lapsed	As at 30th September 2009
Directors	28th January 2004	3rd May 2004 – 31st January 2009	0.42	3,000,000	–	3,000,000	–	–
				3,000,000	–	3,000,000	–	–
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	160,000	–	160,000	–	–
				480,000	–	480,000	–	–

As at 30th September 2009, there are no share options outstanding. The exercise price of share options outstanding as at 30th September 2008 was HK$0.42 per share.

Share options exercised during the year ended 30th September 2009 resulted in 3,480,000 shares (2008: 9,340,000 shares) being issued. The weighted average share price at the time of exercise was HK$1.68 per share (2008: HK$2.32 per share).

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 the PRC 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 2009 and 2008 by an independent qualified actuary, Actuarial Consulting Company Limited, using projected unit credit cost method. The surplus between the pension asset and present value of the obligations as at 30th September 2009 has been recognised in the consolidated income statement in 2009.

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

	2009 HK$'000	2008 HK$'000
Present value of funded defined benefit obligations	**178**	224
Fair value of plan assets	**(692)**	(677)
Present value of defined benefit obligations	**(514)**	(453)
Unrecognised actuarial gains	**853**	860
Liability in the consolidated balance sheet	**339**	407

28. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

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

	2009 HK$'000	2008 HK$'000
Interest cost	**7**	8
Expected return on plan assets	**(18)**	(18)
Net actuarial gain	**(57)**	(56)
Total gain recognised in the consolidated income statement (note 12)	**(68)**	(66)

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

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**407**	473
Total gain included in staff costs (note 12)	**(68)**	(66)
At the end of the year	**339**	407

The principal actuarial assumptions used are as follows:

	2009 %	2008 %
Discount rate	**2.50**	3.25
Expected rate of return on plan assets	**2.00**	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$692,000 (2008: HK$677,000).

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

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**224**	204
Interest cost	**7**	8
Actuarial (gain) loss	**(53)**	12
At the end of the year	**178**	224

28. PENSION OBLIGATIONS (Continued)

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

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**677**	641
Expected return on plan assets	**18**	18
Actuarial (loss) gain	**(3)**	18
At the end of the year	**692**	677

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

	2009 %	2008 %
Deposits with financial institutions	**42.53**	32.31
Short term bills	**5.58**	11.18
Stocks	**9.62**	11.49
Bonds	**11.77**	11.32
Others	**30.50**	33.70
	100.00	100.00

29. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Fair value gain HK$'000	Undistributable profit of subsidiaries HK$'000	Total HK$'000
At 1st October 2007	2,008	2,853	(1,013)	–	3,848
(Charged) credited to the consolidated income statement	235	284	(726)	–	(207)
Exchange realignment	17	–	–	–	17
Effect of a change in tax rate	(115)	(163)	58	–	(220)
At 30th September 2008	2,145	2,974	(1,681)	–	3,438
(Charged) credited to the consolidated income statement	(1,233)	2,143	(639)	(5,260)	(4,989)
At 30th September 2009	912	5,117	(2,320)	(5,260)	(1,551)

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 the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**5,291**	4,418
Deferred tax liabilities	**(6,842)**	(980)
	(1,551)	3,438

At the balance sheet date, the Group had unused tax losses of approximately HK$63,356,000 (2008: HK$70,294,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,192,000 (2008: HK$18,021,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$37,164,000 (2008: HK$52,273,000) due to the unpredictability of future profit streams.

30. 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 (note 19)	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.

31. PLEDGE OF ASSETS

As at 30th September 2009 and 2008, the carrying value of the Group's assets which were pledged to secure banking facilities granted to the Group were as follows:

	2009 HK$'000	2008 HK$'000
Property	**5,794**	5,970
Prepaid lease payments	**75,452**	75,542
	81,246	81,512

32. COMMITMENTS AND ARRANGEMENTS

(a) Capital Commitments

	2009 HK$'000	2008 HK$'000
Capital commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,045**	631

(b) Commitments and Arrangements under Operating Leases

At 30th September 2009 and 2008, 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**	2009 HK$'000	2008 HK$'000
Not later than 1 year	**1,381**	2,359
1 year and not later than 5 years	**408**	711
	1,789	3,070

There was no contingent lease arrangement.

As lessees **Rental payments**	2009 HK$'000	2008 HK$'000
Not later than 1 year	**62,819**	64,123
1 year and not later than 5 years	**52,191**	43,552
	115,010	107,675

32. COMMITMENTS AND ARRANGEMENTS (Continued)

(b) Commitments and Arrangements under Operating Leases (Continued)

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 predetermined 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.

33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 30th September 2009 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

33. 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 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	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
Claire International Limited	Hong Kong 22nd October 1999	Ordinary shares HK$2	100%	Property holding in Hong Kong
Oasis Florist 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

33. 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)				
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
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
伊蒲雪化妝品商貿(上海)有限公司*	PRC 5th February 2009	US$500,000	75%	Retail sales of skin-care products in Mainland China
伊亮諾化妝品商貿(上海)有限公司*	PRC 5th February 2009	US$500,000	75%	Retail sales of skin-care products in Mainland China
伊翠露化妝品商貿(上海)有限公司*	PRC 5th February 2009	US$500,000	75%	Retail sales of skin-care products in Mainland China

33. 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)				
Water Oasis E.L. (HK) Company Limited*	Hong Kong 19th March 2009	Ordinary shares HK$1,000,000	100%	Retail sales of skin-care products in Hong Kong
上海奧薇化妝品商貿有限公司*	PRC 22nd April 2009	US$1,400,000	60%	Inactive

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

* These subsidiaries were newly incorporated during the year end 30th September 2009.

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

34. RELATED PARTY TRANSACTION

Key management personnel compensation

	2009 HK$'000	2008 HK$'000
Basic salaries and housing allowances	**10,905**	10,564
Bonuses	**5,680**	3,000
Retirement benefit costs	**60**	60
	16,645	13,624

35. SUBSEQUENT EVENT

(i) Subsequent to the year ended 30th September 2009, the Company granted an option to an advisor to subscribe for a total of 36,955,600 shares in the Company at an exercise price of HK$2.26 per share. The exercise price was determined based on the Company's average closing price as quoted on the Stock Exchange over 30 business days immediately preceding the date the share options were granted.

(ii) Subsequent to the year ended 30th September 2009, the Board proposes to make a bonus issue of shares on the basis of one new ordinary share of HK$0.10, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the Register of Members of the Company on 16th March 2010 (the "Bonus Share Issue"). The Bonus Share Issue is subject to shareholders' approval at the Company's forthcoming AGM to be held on 16th March 2010.

Five-Year Financial Summary

	Year ended 30th September				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**920,955**	846,569	593,358	484,018	413,888
Profit before taxation	**101,160**	100,291	52,743	13,599	17,936
Taxation	**(17,729)**	(22,123)	(10,176)	733	(4,653)
Profit for the year	**83,431**	78,168	42,567	14,332	13,283
Profit attributable to equity holders of the Company	**80,991**	71,237	40,723	13,600	12,762
Minority interests	**2,440**	6,931	1,844	732	521
	83,431	78,168	42,567	14,332	13,283
BALANCE SHEETS					
Total assets	**538,115**	521,770	400,022	329,527	309,397
Total liabilities	**(341,525)**	(332,394)	(230,244)	(177,275)	(151,786)
	196,590	189,376	169,778	152,252	157,611
Equity attributable to equity holders of the Company	**183,660**	180,661	167,181	151,405	157,402
Minority interests	**12,930**	8,715	2,597	847	209
	196,590	189,376	169,778	152,252	157,611

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
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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