Water **Oasis** Group Limited
奧思集團有限公司

Stock Code 股份代號：1161

2010
Interim Report
中期報告

A **New Leaf** for Refreshed Growth

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2010
Interim Report

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The Board of Directors (the “Board”) of Water Oasis Group Limited (the “Company”) herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 31 March 2010.

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

Results and Dividend

For the six months ended 31 March 2010, the Group’s turnover decreased by 11% to approximately HK$444.3 million by comparison with the same period last year. The primary cause of this decrease was the ending of the Group’s distribution agreement for the Neutrogena brand at the end of the second quarter of last financial year. Although the Group has acquired the new distributorship brands of Yves Rocher and Erno Laszlo, contributions from the sales of these two brands remain at an early stage, with both showing an ongoing upward trend. For the period under review, the mix of contribution from the Group’s retail and service operations, in terms of turnover and segment results, remained at the same level as in the last financial year.

The Group’s profit for the period attributable to owners of the Company for the six months ended 31 March 2010 was approximately HK$24.2 million, representing a decrease of approximately 44% when compared with the same period last year, after taking into account the amortisation costs of the option rights granted to Mr. Francis Leung’s company, Luminary Capital Limited (the “Advisor”).

The Board has resolved to declare an interim dividend of 3.0 HK cents per share.

Management Discussion and Analysis

Taking on a new role as brand owner

The first six months of the fiscal year have been dynamic and rapidly moving ones for the Group. After spending several years establishing itself in the retail market in China and consolidating its strengths as a brand distributor, the first half of this financial year has seen the Group move in important new directions and pick up the pace of its development by making the transition from brand distributor to multi-brand owner. As a brand-owner, the Group will have greater control over each of its brands, and will be in a better position to create long-term sustainable value for shareholders. Further, such controlled diversification will enable it to systematically expand its coverage and embrace new customer demographics.

To pursue its goal of developing into a successful multi-brand owner, the Group has identified two strategic initiatives. One is to develop its own brands; the other involves acquiring reputable brands through careful mergers and acquisitions (“M&A”). In the period under review, the Group has successfully pursued both of these routes. For some time now it has been developing its own cosmetic brand aimed at mass-market consumers on the Mainland, JM Makeup. Following a lengthy process of approval, registration and promotion, the first JM Makeup counter was opened in China on 1 April 2010. This represents the first self-owned brand of the Group to reach the market, and is a significant milestone in the Group’s plans for the future.

As for brand acquisition, the Group acquired its very first self-owned brand via M&A strategies, Glycel, with the actual date of the acquisition falling just outside the review period. The whole acquisition was completed on 28 May 2010, and the deal involved the acquisition of the Glycel trademarks, operating assets and business operations for a cash consideration of HK$27.0 million. The Glycel brand and business is built around to a series of Swiss-developed anti-aging skin-care products. Glycel is a widely recognised and respected brand with a long history. Its trademarks are registered in over 60 countries worldwide, and it has good existing distribution channels in Hong Kong, where it has been sold for over 20 years. Given the Group's industry expertise and its established platforms for distribution and service delivery, particularly in Mainland China, Hong Kong and other Asian countries, the opportunities for growth through the Glycel brand are significant. The Group is confident that its new strategic direction will bear fruit in the near future as sales of its newly secured brand gradually pick up, and shareholder benefits will be maximised as a result.

In addition to its steps into brand ownership, the Group has been active in maintaining and promoting its existing licensed skin-care and beauty brands, which include ~H_2O+, Yves Rocher and Erno Laszlo. Out of these brands, turnover of Yves Rocher increased by approximately 184% by comparison with the same period last year. At the end of May 2010 the Group had a total of 367 retail outlets in operation, representing an increase of 88 outlets when compared with the same period last year.

One important strategy is of regularly refreshing brand images, thus maintaining consumer interest and keeping brands up to date. In the period under review the Group has been doing this with its ~H_2O+ outlets throughout China, revamping their design and colour schemes so as to create a fresh 'look' that is very much of the moment. Partly as a result, sales for ~H_2O+ in the PRC rose slightly, by approximately 2%. As at the end of May 2010, the Group had a total of 243 ~H_2O+ outlets in China. In Hong Kong, there are also plans to introduce a new shop image later in the year or early in the following one. In addition, the Group is committed to further expanding its distribution channels for these licensed brands to give them an even more substantial market presence.

The Group's beauty service business, which includes its Oasis Beauty Centres, Oasis Spa Centres, Oasis Medical Centres, and Beijing Beauty Centres, had a total of 23 outlets as at the end of May 2010. The performance of its Oasis Medical Centres has been outstanding, achieving an increase of approximately 79% in sales compared with the same period last year. A highlight was the opening in June 2010 of the Group's brand new 7,500 square feet deluxe Spa Centre and the third new Oasis Medical Centre has been opened in May 2010. Both centres are located in the prime Harbour City location in Tsim Sha Tsui, Kowloon, creating a new flagship premises for its high-end beauty services in Hong Kong. To optimise the performance of this business sector the Group is constantly reviewing its beauty network, opening new beauty centres and rationalising the distribution of existing ones in response to demand and economic conditions.

During the review period, the Group reviewed the role of its self-owned property in Hong Kong and made the decision to utilise the property for investment purposes, thus tapping into the booming property market and generating satisfactory investment rental returns to the Group. As a result, a revaluation gain was booked during the financial period under review.

New, improved financial strategies

To be effective in expanding into brand ownership, the Group requires a very clear policy on investments and acquisitions, together with quality backing in terms of the supply of capital. In the period under review, it has taken major steps to achieve both these goals. In December 2009, it contracted with renowned financial consultant Mr. Francis Leung to provide specialised financial consultancy services to the Group, especially in the area of M&A. As the Group moves on to a new phase in its corporate history, Mr. Leung's financial experiences and acumen will prove vital in helping it make sound, strategic decisions on diversification.

More recently, in April 2010, the Group secured investment from Darby Asia Mezzanine Fund II, L. P. ("DAMF II"), part of the private equity arm of the globally renowned Franklin Templeton Investments, through the issue of convertible bonds and shares. The issue will bring the Group proceeds of around HK$78.0 million, which have been earmarked for the potential acquisition of new skin-care brands or sizeable beauty service chains in the PRC, along with the development or refreshing of existing ones. The DAMF II investment not only reflects the strong interest of institutional investors in the Group, but also provides a clear proof of general investor confidence in the Group's operations and business directions.

Outlook

In the months to come, the Group will be continuing its energetic push towards diversification and expansion, together with new moves into brand ownership. This will see it expanding the coverage of its existing brands across the Greater China region, encouraging greater brand penetration at every level, and continuing to refresh its brand images to keep demand strong and interest vibrant. With its first JM Makeup counter opening in April 2010, after the end of this financial period, and the additional contributions to come from its Glycel brand, the Group expects to see profits from this new business follow in the second half of the year.

The theme is of being forward looking and beginning a major new chapter in the Group's history. In particular, the Group will be looking to engage in more M&A moves as appropriate, guided by the expert assistance of Mr. Francis Leung. With good supplies of capital in hand, the Group is very well-placed to step up to its new role, achieving dynamic growth and consolidating its position as one of the leading skin-care and beauty groups in the Greater China region.

Deloitte.
德勤

Report on Review of Interim Financial Information

To the Board of Directors of Water Oasis Group Limited
奧思集團有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the Interim Financial Information set out on pages 6 to 22, which comprises the condensed consolidated statement of financial position of Water Oasis Group Limited and its subsidiaries as of 31 March 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 15 June 2010

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 31 March 2010 HK$'000	2009 HK$'000
Turnover	4	**444,275**	501,546
Purchases and changes in inventories of finished goods		**(108,151)**	(125,742)
Other income		**1,700**	10,142
Other gains or losses		**10,247**	(8,610)
Staff costs		**(123,623)**	(129,475)
Depreciation of property, plant and equipment		**(13,941)**	(12,914)
Other expenses		**(178,132)**	(174,793)
Profit before taxation		**32,375**	60,154
Taxation	5	**(8,032)**	(14,984)
Profit for the period	6	**24,343**	45,170
Profit for the period attributable to:			
Owners of the Company		**24,199**	43,206
Non-controlling interests		**144**	1,964
		24,343	45,170
Dividends	7	**22,919**	36,956
Earnings per share			
Basic	8	**3.3 HK cents**	5.9 HK cents
Diluted	8	**3.2 HK cents**	5.9 HK cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Profit for the period	**24,343**	45,170
Other comprehensive expense:		
Exchange difference arising on translation and other comprehensive expense for the period	**(24)**	–
Total comprehensive income for the period	**24,319**	45,170
Total comprehensive income for the period attributable to:		
Owners of the Company	**24,175**	43,206
Non-controlling interests	**144**	1,964
	24,319	45,170

Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at 31 March 2010 HK$'000	Audited As at 30 September 2009 HK$'000
Non-current assets			
Intangible assets		**820**	1,044
Investment properties	9	**134,200**	37,700
Property, plant and equipment	9	**32,990**	40,795
Prepaid lease payments		**–**	75,362
Rental deposits		**21,922**	18,984
Goodwill		**966**	966
Deferred tax assets		**6,117**	5,291
		197,015	180,142
Current assets			
Inventories		**90,122**	99,767
Prepaid lease payments		**–**	90
Trade receivables	10	**67,710**	72,031
Prepayments		**34,635**	24,511
Other deposits and receivables		**27,685**	15,527
Tax recoverable		**2,340**	253
Bank balances and cash		**153,738**	145,794
		376,230	357,973
Current liabilities			
Trade payables	11	**14,588**	21,547
Accruals and other payables		**106,023**	91,770
Receipts in advance		**198,844**	166,831
Secured mortgage loan – due within one year	12	**2,659**	2,631
Loans from a non-controlling shareholder of subsidiaries		**6,989**	–
Tax payable		**5,210**	11,976
		334,313	294,755
Net current assets		**41,917**	63,218
Total assets less current liabilities		**238,932**	243,360
Capital and reserves			
Share capital	13	**73,912**	36,956
Reserves		**102,063**	146,704
Equity attributable to owners of the Company		**175,975**	183,660
Non-controlling interests		**14,036**	12,930
Total equity		**190,011**	196,590
Non-current liabilities			
Pension obligations		**339**	339
Secured mortgage loan – due after one year	12	**38,249**	39,589
Deferred tax liabilities		**10,333**	6,842
		48,921	46,770
		238,932	243,360

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 October 2008 (audited)	36,608	38,205	12,984	(1,766)	450	1,797	–	92,383	180,661	8,715	189,376
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	43,206	43,206	1,964	45,170
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	2,918	2,918
Issue of shares upon exercise of share options	348	1,113	–	–	–	–	–	–	1,461	–	1,461
2008 final and special final dividends paid	–	–	–	–	–	–	–	(42,499)	(42,499)	–	(42,499)
Dividend payable to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	(338)	(338)
At 31 March 2009 (unaudited)	36,956	39,318	12,984	(1,766)	450	1,797	–	93,090	182,829	13,259	196,088

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 October 2009 (audited)	36,956	39,318	12,986	(1,766)	450	1,797	–	93,919	183,660	12,930	196,590
Profit for the period	–	–	–	–	–	–	–	24,199	24,199	144	24,343
Other comprehensive expense for the period	–	–	(24)	–	–	–	–	–	(24)	–	(24)
Total comprehensive income for the period	–	–	(24)	–	–	–	–	24,199	24,175	144	24,319
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	1,853	1,853
Bonus issue of shares	36,956	(36,956)	–	–	–	–	–	–	–	–	–
2009 final dividends paid	–	–	–	–	–	–	–	(36,956)	(36,956)	–	(36,956)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	5,096	–	5,096	–	5,096
Dividend payable to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	(891)	(891)
At 31 March 2010 (unaudited)	73,912	2,362	12,962	(1,766)	450	1,797	5,096	81,162	175,975	14,036	190,011

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 31 March	
	2010 HK$'000	2009 HK$'000
Net cash from operating activities	48,915	14,498
Net cash (used in) from investing activities:		
Purchase of property, plant and equipment	(11,875)	(12,529)
Proceeds on disposal of financial assets at fair value through profit or loss	–	17,921
Other investing cash flows	354	2,069
	(11,521)	7,461
Net cash used in financing activities:		
Dividends paid	(36,956)	(42,499)
Other financing cash flows	7,530	3,096
	(29,426)	(39,403)
Net increase (decrease) in cash and cash equivalents	7,968	(17,444)
Cash and cash equivalents at beginning of the period	145,794	141,423
Effect of foreign exchange rate changes	(24)	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	153,738	123,979

Notes to the Condensed Consolidated Financial Statements

1. General Information

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

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

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$") which is the functional currency of the Company. The condensed consolidated financial statements were approved for issue by the Board of Directors on 15 June 2010.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and HKAS 34 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2009.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 30 September 2009, except as described below.

During the six months end 31 March 2010, a property originally classified as property, plant and equipment and prepaid lease payments was transferred to investment properties. The transfer was evidenced by end of owner-occupation of the property. The difference between the carrying amount and the fair value of the property at the date of transfer is recognised in the condensed consolidated income statement.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 October 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed 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 application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as set out in note 4.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the annual reporting period beginning on 1 October 2009.

The adoption of other new and revised HKFRSs has had no material effect on how the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Turnover and Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 October 2009. 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, the Group's Executive Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has it changed the basis of measurement of segment results. The Group's operating segments under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

(i) Retail – the retail sales of skin-care products

(ii) Services – provision of services in beauty salons, spa, medical beauty centres and other businesses

The following is an analysis of the Group's turnover and results by operating segment for the period under review:

	Retail Six months ended 31 March		Services Six months ended 31 March		Elimination Six months ended 31 March		Total Six months ended 31 March	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Sales to external customers	318,534	357,575	125,741	143,971	–	–	444,275	501,546
Inter-segment sales	13,463	12,785	–	–	(13,463)	(12,785)	–	–
Total	331,997	370,360	125,741	143,971	(13,463)	(12,785)	444,275	501,546
Segment results	31,599	55,512	20,296	34,363	–	–	51,895	89,875
Other income							1,700	10,142
Other gains or losses							10,247	(8,610)
Corporate costs							(31,467)	(31,253)
Profit before taxation							32,375	60,154

Segment results represent the profit earned by each segment without allocation of central administrative costs, directors' emoluments and finance costs. This is the measure reported to the Group's directors for the purposes of resource allocation and performance assessment.

5. Taxation

	Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Current taxation		
Hong Kong Profits Tax	**1,204**	4,156
Overseas taxation	**4,165**	8,569
Over provision in prior years	**(2)**	(1,478)
	5,367	11,247
Deferred taxation		
Current year	**2,665**	3,737
	2,665	3,737
	8,032	14,984

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period, after setting off available tax losses brought forward from prior years.

The People's Republic of China (the "PRC") Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2009: 25%) 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 22% (2009: 20%). The preferential rate would gradually increase to 25% by the year 2012 pursuant to the relevant governmental notices. On 28 November 2008, a subsidiary of the Group in Waigaoqiao Free Trade Zone has been qualified as an "operating centre" and has been entitled to certain tax reductions.

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

6. Profit for the Period

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

	Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Amortisation of intangible assets	**(224)**	(241)
Amortisation of prepaid lease payments	**(30)**	(46)
Increase (decrease) in fair value of investment properties	**15,343**	(5,000)
Interest income on bank deposits	**354**	406
Interest expenses on secured mortgage loan	**(444)**	(484)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(3,610)
Net exchange losses	**(165)**	(1,289)
Rental income	**1,057**	1,399
Share-based payment expense	**(5,096)**	–

7. Dividends

	Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Interim dividend proposed of 3.0 HK cents (2009: 8.0 HK cents) per share	**22,919**	29,565
Special interim dividend proposed of nil (2009: 2.0 HK cents) per share	**–**	7,391
	22,919	36,956

During the six months period ended 31 March 2010, a dividend of 10.0 HK cents (2009: 11.5 HK cents) totalled approximately HK$36,956,000 (2009: HK$42,499,000) was paid to shareholders as the final dividend for the year ended 30 September 2009.

On 30 March 2010, the Company issued bonus shares on a one-to-one basis, resulted in the issue of 369,556,000 ordinary shares.

At the Board meeting held on 15 June 2010, the directors declared an interim dividend of 3.0 HK cents (2009: interim dividend of 8.0 HK cents and special interim dividend of 2.0 HK cents) per share. This proposed interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

8. Earnings Per Share

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

	Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Profit for the period attributable to owners of the Company	**24,199**	43,206

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**739,112,000**	736,402,110
Effect of dilutive potential ordinary shares in respect of share options	**9,115,251**	2,061,840
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**748,227,251**	738,463,950

The denominators for the purpose of calculating basic and diluted earnings per share for the six months ended 31 March 2009 have been adjusted to reflect the bonus issue of shares on a one-to-one basis in March 2010.

9. Capital Expenditures

During the six months ended 31 March 2010, the Group incurred capital expenditure of approximately HK$11,875,000 for property, plant and equipment (for the six months ended 31 March 2009: HK$12,529,000).

During the six months ended 31 March 2010, a property originally classified as property, plant and equipment and prepaid lease payments was transferred to investment properties. The transfer was evidenced by end of owner-occupation of the property.

The Group's investment properties were revalued as of 31 March 2010 on the basis of their open market values by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited ("Dynasty Premium"), independent qualified professional valuers not connected with the Group. The resulting increase in fair value of investment properties of approximately HK$15,343,000 (for the six months ended 31 March 2009: decrease of HK$5,000,000) has been recognised directly in the condensed consolidated income statement.

10. Trade Receivables

The following is an aging analysis of trade receivables, presented based on the payment due date, net of allowance for bad and doubtful debts, as at the end of the reporting period:

	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
0 to 30 days	**59,722**	59,898
31 days to 60 days	**4,381**	6,115
61 days to 90 days	**1,293**	1,099
Over 90 days	**2,314**	4,919
	67,710	72,031

Credit terms generally range from 30 days to 90 days.

11. Trade Payables

The following is an aging analysis of trade payables, presented based on the payment due date, as at the end of the reporting period:

	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
0 to 30 days	**14,588**	19,054
31 days to 60 days	**–**	2,493
	14,588	21,547

12. Secured Mortgage Loan

	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
Carrying amount repayable:		
within 1 year	**2,659**	2,631
in 1 year to less than 2 years	**2,716**	2,689
in 2 years to less than 3 years	**2,778**	2,746
in 3 years to less than 4 years	**2,836**	2,807
in 4 years to less than 5 years	**2,898**	2,867
in 5 years or more	**27,021**	28,480
	40,908	42,220
Less: Amount due within 1 year included in current liabilities	**(2,659)**	(2,631)
	38,249	39,589

The secured mortgage loan is secured by one of the Group's investment properties. It bears interest at 2.85% (at 30 September 2009: 2.85%) per annum below the bank's Best Lending Rate. The effective interest rate is approximately 2.15% (at 30 September 2009: 2.15%) per annum.

13. Share Capital

	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
Authorised:		
1,000,000,000 (2009: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
739,112,000 (2009: 369,556,000) ordinary shares of HK$0.1 each	**73,912**	36,956

	Issued and fully paid ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 1 October 2008	366,076,000	36,608
Issue of new shares upon exercise of share options	3,480,000	348
At 30 September 2009	369,556,000	36,956
Bonus issue of shares on a one-to-one basis	369,556,000	36,956
At 31 March 2010	739,112,000	73,912

14. Share Options

(i) The Company's share option scheme (the "Share Option Scheme") was adopted on 23 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 22 January 2012, at its discretion, offer to grant options at an option price of HK$1.00 to any employees, directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisors (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to subscribe for shares of the Company, representing (when aggregated with options granted under any other scheme) initially not more than 10% of the shares in issue as at the date of the listing of the shares. The subscription price shall be the higher of the average of the closing prices of the 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.

Options exercised during the six months ended 31 March 2009 resulted in 3,480,000 shares being issued at HK$0.42 per share. The related weighted average share price at the time of exercise was HK$1.76 per share.

As at 30 September 2009 and 31 March 2010, there were no outstanding share options available to subscribe for shares under the Share Option Scheme as options were fully exercised during the year ended 30 September 2009.

(ii) On 18 December 2009, the Company entered into a consultancy agreement with independent third parties, Luminary Capital Limited (the "Advisor") and Mr. Francis Leung, in granting an option to the Advisor in return for its general consultancy and financial advisory services provided to the Group (the "Option"). The Option entitles the Advisor the right to require the Company to issue up to 36,955,600 option shares at an option price of HK$2.26 per option share during a 36 months' period from 18 December 2009 to 17 December 2012.

The closing price of the Company's shares immediately preceding 18 December 2009 was HK$2.45, the date the Option was granted.

The granting of the option and the allotment and issue of the option shares are not subject to the approval of the shareholders. The option shares will be issued pursuant to the General Mandate.

Following the issue of bonus shares on 30 March 2010, the number of option shares and the option price are adjusted to 73,911,200 shares and HK$1.13 per option share respectively.

The fair value of the Option determined at the date of grant using the Binomial Option Pricing Model was approximately HK$35,305,000. An option expense of approximately HK$5,096,000 was recognised and charged to the condensed consolidated income statement for the period.

The following assumptions were used to calculate the fair values of the Option:

Grant date share price	HK$2.61
Option price	HK$2.26
Expected life	3 years
Expected volatility	63.063%
Expected dividend yield	6.62%
Risk-free interest rate	0.88%

The Binomial Option Pricing Model has been used to estimate the fair value of the Option. The variables and assumptions used in computing the fair value of the Option are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Option.

During the current period, the Advisor did not exercise its right under the Option to subscribe for any shares in the Company.

15. Commitments and Arrangements

(a) Capital commitments

	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
Capital commitments contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**2,108**	1,045

(b) Commitments and arrangements under operating leases

At 31 March 2010 and 30 September 2009, 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 lessor **Rental receipts**	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
Not later than 1 year	**615**	1,381
1 year and not later than 5 years	**150**	408
	765	1,789

There was no contingent lease arrangement for the Group as a lessor.

As lessee **Rental payments**	As at 31 March 2010 HK$'000	As at 30 September 2009 HK$'000
Not later than 1 year	**65,262**	62,819
1 year and not later than 5 years	**80,337**	52,191
Over 5 years	**4,068**	–
	149,667	115,010

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.

16. Related Party Transactions

Key management personnel compensation:

	Six months ended 31 March	
	2010	2009
	HK$'000	HK$'000
Basic salaries and housing allowances	**5,809**	5,856
Bonuses	**6,400**	5,680
Retirement benefit costs	**30**	30
	12,239	11,566

17. Events After the End of the Interim Period

(i) On 15 April 2010, Vibrant Success Limited (now known as "Glycel Company Limited"), a wholly-owned subsidiary of the Company entered into an agreement with independent third parties, namely Glycel Beauty Services Co. Ltd, Glycel (Hong Kong) Co. Ltd and Mr. Chu Hon Cheong to purchase the Glycel Business at a cash consideration of HK$27,000,000. The acquisition was completed on 28 May 2010.

(ii) On 27 April 2010, the Company entered into a subscription agreement with an independent third party, DAMF II Beauty Services Holdings Limited (the "Subscriber") which is an investment holding company established by Darby Asia Mezzanine Fund II, L.P., a fund advised by a subsidiary of Darby Overseas Investments Ltd., the private equity arm of Franklin Templetion Investments. Pursuant to which, the Subscriber agreed to subscribe (1) convertible bonds in an aggregate principal amount of HK$39,000,000; and (2) approximately 24,841,000 subscription shares at a subscription price of HK$1.57 per share. Both the convertible bonds and the subscription shares have been issued on 4 May 2010.

Interim Dividend and Closure of Register of Members

The directors have declared an interim dividend of 3.0 HK cents per share for the six months ended 31 March 2010 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 9 July 2010. The Register of Members will be closed from 7 July 2010 to 9 July 2010, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 6 July 2010. The relevant dividend warrants will be dispatched to shareholders on 16 July 2010.

Liquidity and Financial Resources

At 31 March 2010, the Group had net current assets of approximately HK$41.9 million (at 30 September 2009: HK$63.2 million).

The Group generally finances its operations with internally generated resources. As at 31 March 2010, the Group had cash reserves of approximately HK$153.7 million (at 30 September 2009: HK$145.8 million).

The gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$190.0 million (at 30 September 2009: HK$196.6 million) is approximately 21.5% (at 30 September 2009: 21.5%).

The Group continues to follow the practice of prudent cash management. The Group has little exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territory, 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.

Human Resources

As at 31 March 2010, the Group employed 1,450 staff (at 30 September 2009: 1,579 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also be granted to eligible staff based on individual's and Group's performances. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

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

Audit Committee

The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, J.P., Mr. Wong Chun Nam and Dr. Wong Chi Keung who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31 March 2010 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the Interim Financial Information.

Remuneration Committee

To comply with the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, a Remuneration Committee was established on 26 June 2006. The members of the Remuneration Committee comprise all independent non-executive directors of the Company and the Group's Human Resources Director, Ms. Lau Mei Yin, Ivy, and is chaired by Mr. Wong Chun Nam.

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

Investment Advisory Committee

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15 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.

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

As at 31 March 2010, the interests or short positions of the directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company and its associated corporations

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares: Personal interests	Corporate interests	Family interests	Other interests	Total	Percentage of issued share capital
Yu Lai Si	The Company	Beneficial owner	166,113,760 ordinary	–	–	–	166,113,760 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	–	–	5,960,000 ordinary(2)	155,333,760 ordinary(1)	161,293,760 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	–
Yu Lai Chu, Eileen	The Company	Beneficial owner and interest of a controlled corporation	5,960,000 ordinary	–	–	155,333,760 ordinary(1)	161,293,760 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	–

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares					Percentage of issued share capital
			Personal interests	Corporate interests	Family interests	Other interests	Total	
Yu Kam Shui, Erastus	The Company	Beneficial owner and interest of spouse	4,000,000 ordinary	–	6,000,000 ordinary[(4)]	–	10,000,000 ordinary	1.4%
Lai Yin Ping	The Company	Beneficial owner and interest of spouse	6,000,000 ordinary	–	4,000,000 ordinary[(5)]	–	10,000,000 ordinary	1.4%
Wong Lung Tak, Patrick, J.P.	The Company	Beneficial owner	1,200,000 ordinary	–	–	–	1,200,000 ordinary	0.2%
Wong Chun Nam	The Company	Beneficial owner	1,200,000 ordinary	–	–	–	1,200,000 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 31 March 2010, save as disclosed therein, none of the directors, chief executive 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

As at 31 March 2010, there were no outstanding share options available to subscribe for shares under the Share Option Scheme as options were fully exercised during the year ended 30 September 2009.

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

Substantial Shareholders

As at 31 March 2010, 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	155,333,760	21.0%
Advance Favour Holdings Limited (2)	Interest of a controlled corporation	77,666,880	10.5%
Billion Well Holdings Limited (3)	Interest of a controlled corporation	77,666,880	10.5%
Luminary Capital Limited (4)	Interest of a controlled corporation	73,911,200	10.0%

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.

(4) Luminary Capital Limited is a company incorporated in Hong Kong and is beneficially owned by Leung Pak To, Francis.

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

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

Corporate Governance

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

Code Provision A.2.1

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

Code Provision A.4.1

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

Compliance with the Model Code for Securities Transactions

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

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

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

Hong Kong, 15 June 2010

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 Advisors

Deacons
Richards Butler in Association with
Reed Smith LLP

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Principal Share Registrar and Transfer Office

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Cayman Islands
British West Indies

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