Water Oasis Group Limited
奧思集團有限公司

Stock Code 股份代號：1161

# 2010 Annual Report 年報

# 實力成就 非凡未來

# A Flourish for the Future

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# 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.

Taking on a new role as a brand owner, the Group has successfully acquired a Swiss skin-care brand "Glycel" in May 2010 with its trademark registered in more than 60 countries worldwide, marking a milestone for the Group. Glycel is a prestigious long history brand from Switzerland and is famous for its anti-aging products. There were 2 retail outlets and 4 beauty centres operating in Hong Kong at the time we acquired. In addition, the Group has also launched its first self-owned and operated cosmetic brand "JM Makeup" in the Mainland. Aiming at the mass and fast-moving consumer goods market, the first JM Makeup counter was officially opened in April 2010 in Mainland China.

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 30th September, 2010, there is a total of 281 retail outlets comprising 17 in Hong Kong, 1 in Macau, 247 in Mainland China (consisting of 125 self-managed and 122 franchised outlets), 14 in Taiwan and 2 in Singapore.

## Glycel

Glycel is a prestigious long history brand from Switzerland and is famous for its anti-aging products. 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. The Group had completed the brand acquisition in May 2010, and Glycel becomes another self-owned brand of the Group. As at 30th September, 2010, there were 2 retail outlets and 4 beauty centres operating in Hong Kong.

## 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 84 retail outlets (consisting of 40 self-managed and 44 franchised outlets) as at 30th September, 2010.

## 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 operated 3 retail outlets in Hong Kong as at 30th September, 2010.

## JM Makeup

JM Makeup is the Group's first self-owned, managed and operated cosmetics retail brand launched in April 2010 in Mainland China aiming at the mass and fast-moving consumer goods market in the Mainland. Apart from department store counters, it will also be available in hypermarkets, smaller specialist cosmetics shops, and other suitable locations. There were 8 retail outlets opened, including 6 self-managed and 2 franchised outlets as at 30th September, 2010.

## Spa and Beauty Salon

In addition to our retail operations, the Group operates a total of 23 Spa and Beauty centres in Hong Kong, consisting of 3 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. This includes our newly opened 7,500 square feet deluxe Spa centre in June 2010, located in the prime Harbour City location in Tsim Sha Tsui, Kowloon. The new centre creates a new flagship premises for high-end beauty services on the Kowloon side. In addition, the Group also operates 11 Oasis Beauty centres, and 4 Aqua Beauty centres for women plus 1 Oasis Homme centre for men. Moreover, as part of the Group's acquisition of the Glycel brand, 4 Glycel Beauty centres were added to the Group's beauty service business. These Spa and Beauty centres offer a wide range of competitively-priced beauty treatments targeting the high, mid and mass market customers. As at 30th September, 2010, the Group also operates 2 Oasis Beauty centres in Beijing, Mainland China.

## 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 3 centres in Hong Kong. Seeing the potential of medical beauty, the Group opened the third new Oasis Medical Centre in May 2010, in the prime location in Tsim Sha Tsui, Harbour City. Manned by professional registered doctor and experienced professional therapists who have extensive medical beauty experiences. These centres offer specialised medical beauty services such as laser, IPL, whitening, radio frequency, and botox injection 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" and "Oasis Brand Communications".

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 has been both an exciting and a challenging one for the Group, as we have continued to shift our business model from brand distribution to brand portfolio ownership and distribution. Exciting, because of the opportunities for us to tap into the experience we have gained with the ~$H_2O$+ brand in recent years and apply it to a much wider range of brands and products, all with great potential. But also challenging, because of the high level of investment and preparatory work required for developing and launching new brands.

We have had to draw on our resources during the year to finance acquisitions, reorganise and strengthen our level of financial backing, set up new retail outlets, and periodically refresh and revamp our brand images. The concentration of these activities over the past twelve months has inevitably led to a decline in the Group's profits for the year. However, I am convinced that this preparatory expenditure and planning will prove essential to the healthy growth of our brand portfolio in the longer term. Our Group has always approached new initiatives by engaging in thorough planning and appropriate investment, and that proven strategy will, I believe, serve us well in helping us make the transition to multi-brand owner and distributor.

We have been particularly impressed by the performance of our newest brand acquisition, Glycel, which has rewarded our investment very early with a remarkable threefold increase in monthly cash receipts compared with its results before acquisition. Our work with Glycel shows just what the Group is capable of in terms of taking a brand with high potential and tapping into that to maximise returns. Such a model is what ultimately we aim to achieve with every brand we acquire, although the initial turnaround process will not always be as rapid as in the case of Glycel.

On the beauty services side of our operations, our opening of a new Oasis Medical Centre in Tsim Sha Tsui's Harbour City bears witness to the exceptional demand for this aspect of the Group's services since we first began offering medical beauty services just two years ago. With three Oasis Medical Centres now in operation, our portfolio of beauty services across Hong Kong carries a real weight and shows us to be a serious and committed player in this valuable market.

I am particularly pleased and proud to announce that, for the second consecutive year, Water Oasis Group has been included in Forbes Asia Magazine's annual "Asia's 200 Best Under a Billion". The list tracks the best-performing small and medium-sized companies in the Asia Pacific region over the past twelve months. Given that over 150 of the 200 selected for 2010 were new to the list, the Group's ability to hold down a spot for two consecutive years is especially impressive. The Forbes accolade represents impressive external recognition of our ongoing profitability and development, and bears testimony to our fundamental business values.

As we continue our transformation into a brand portfolio owner, some patience will be needed as new seeds are planted and nurtured over time. But these processes are necessary for a strong, rich, and sustainable harvest down the line. I believe that the work we have done over the past year, coupled with the initiatives we have planned for the coming one, will go a long way towards ensuring a rich long-term future of healthy diversity for the Group.

**Yu Lai Si**
Executive Director and Chief Executive Officer
17th December, 2010

# Management Discussion and Analysis

The Group's financial performance for the year ended 30th September, 2010 saw decline in turnover and profit attributable to owners of the Company of approximately 1% and 27% respectively. These year-on-year falls were primarily attributable to the fact that the Group's distribution agreement for the Neutrogena brand ended eighteen months ago, and its previous earnings from Neutrogena have yet to be offset by a comparable income earner. Although the Group does have other brands in the marketplace, most are relatively new and are still at the early stages of consolidation. Further, in order to promote its new brands and raise public awareness of them, the Group has spent relatively large amounts over the past year on marketing, advertising and promotional activities. These kinds of expenses are to be expected when brands and products are being developed or revamped, and should translate in the longer term into healthy growth.

Besides this, financial arrangements including the Group's share option to Luminary Capital Limited, the company of its financial advisor Mr. Francis Leung, together with its placement on 4th May, 2010 of new shares and convertible bond with Darby Asia Mezzanine Fund II, L.P., part of the private equity arm of Franklin Templeton Investments, involved a non-cash accounting cost to the Group of around HK$14.9 million, impacting on the Group's overall financial performance for the year. If these items are excluded, the drop in the Group's profit attributable to owners of the Company amounts to just 9%.


# Business Review

## I. BRAND OWNERSHIP AND DISTRIBUTION

The Group's main focus during the year was on continuing its transition from brand distributor to brand owner and multi-brand distributor. By acquiring new brands and revamping and promoting older and existing ones, the Group was successfully able to enrich its brand portfolio and occupy the market at different levels.

### Glycel

The acquisition by the Group of the Glycel brand, which was completed on 28th May, 2010, makes it the most recent addition to the Group's portfolio of brands. The acquisition gives the Group ownership of the Glycel trademark, which is registered in over 60 countries worldwide. The Glycel brand has a strong reputation and a lengthy history, but to compete fully in today's market it needed a company such as Water Oasis Group to maximise its potential. Immediately upon acquisition, the Group began to leverage its reputation and long experience in the beauty and retail business to improve operations at Glycel, leading to a rapid boost in performance. Since the Group took over ownership of Glycel, monthly cash receipts from Glycel products and beauty services in Hong Kong have soared to around three times their pre-acquisition levels. What is more, after just four months' operation under the Group, Glycel's performance have already begun to record a positive bottom line in terms of profitability, a remarkable performance for such a short period of time. As at the end of September 2010, the Group had a total of six Glycel outlets in Hong Kong, four located in its beauty centres and another two operating as stand-alone retail outlets. As the brand is fully owned by the Group, the high quality Glycel products and services are already helping to increase the Group's gross profit margin.


These early signs of success from Glycel are extremely encouraging, and as a result the Group is beginning to make plans to expand Glycel sales into Mainland China and Taiwan in the next year or so. Assuming that this expansion is successful, the Group would then take the brand into other countries. In addition, the Group is backing new product development under the Glycel range, given the proven evidence of demand for this brand amongst Asian consumers.

## ~$H_2O$+

The ~$H_2O$+ brand is the Group's flagship brand, for which it has exclusive distributorship rights in Hong Kong and Mainland China. For many years now it has been the Group's primary contributor. As the Group moves into becoming a brand owner as well as multi-brand distributor, this situation will gradually shift. For the year under review, however, ~$H_2O$+ in Mainland China continued to be the main contributor to the Group's turnover , recording a slight turnover growth over last year. In Hong Kong and Mainland China, ~$H_2O$+ products continued to sell steadily. In a highly competitive market with a huge range of consumer choice and constant innovations, however, it is important to keep established brands like ~$H_2O$+ firmly in the public eye. To this end, during the year the Group launched new TV commercials in both Hong Kong and Mainland China to refresh the public's awareness of its popular products and the ~$H_2O$+ brand, besides continuing with an imaginative advertising strategy. Given the strong identification of many female users of ~$H_2O$+ products with celebrity figures, during the year the Group successfully invited two well-known stars to become the 'faces' of ~$H_2O$+ in its promotional campaigns. In Hong Kong, the famous superstar singer and actress Sammi Cheng took on this role for our Collagen 8000 product, while Jacqueline Li (Li Xiaolu) accepted the invitation for ~$H_2O$+ brand for Mainland China, Hong Kong and Taiwan.



## Other brands

Other brands owned or distributed by the Group include Erno Laszlo, JM Makeup, and Yves Rocher. Each of these is targeted at different markets and each requires different strategies for maximising penetration and sales. In the year under review the brands continued their establishment process and performed reasonably well. After its first full year of operation, the Erno Laszlo brand contributed positively to the Group's bottom line, a good sign for the future. Currently the combined results of all three brands make up a relatively small part of the Group's overall turnover, but each has potential for good growth and the Group is confident that over time their contributions to its bottom line will step up.


## II. SPA AND BEAUTY BUSINESS

The provision of spa and beauty services has long been an important and profitable side of the Group's operations, and more recently this has been supplemented by a highly successful diversification into the provision of specialised medical beauty services.

This side of the Group's business consists of its beauty service 'family' of Oasis Beauty Centres and Oasis Spa Centres, Oasis Medical Centres, and the Beijing Beauty Centres in Mainland China. During the year under review, the Group also added a further four beauty centres to its range. These four Glycel Beauty Centres were obtained as part of the Group's acquisition of the Glycel brand, and are providing it with a further income stream within the beauty services industry. Overall, these varied centres performed steadily, and showed positive growth against last year's results.

The standout performers were the Oasis Medical Centres in Hong Kong, for which demand has been high since the first one was opened in Causeway Bay in 2008. So positive has been the demand, in fact, that in May 2010 the Group opened a third medical beauty centre and a Spa in June 2010 in Tsim Sha Tsui's high-end Harbour City retail mall. This important new outlet is expected to significantly boost the Group's revenues from its beauty operations in the coming year.

# PROSPECTS

## Glycel


With sales of the new Glycel brand products strong from the outset and continuing to pick up momentum, the Group will be focusing on making the most of the exceptional demand. It has steadily opened retail outlets since the popularity of the Glycel range became apparent, and will continue to do so over the coming months. For instance, a new outlet in the popular Times Square shopping mall in Causeway Bay was opened on 1st December, 2010. In the longer term, the Group expects to introduce more product lines under the Glycel brand name, and also to expand Glycel into Mainland China and then to Taiwan. The product hygiene permit registration has started in Mainland China and the operation shall expect to commence in the fourth quarter of 2011. If response is good, it may also look to other countries for further expansion.


## ~$H_2O$+ in Mainland China

The momentum of sales of ~$H_2O$+ products in Mainland China has been steady over the past year, and the Group intends to proceed with its strategy of ongoing expansion in the coming twelve months by opening a number of new outlets.

## Erno Laszlo


The Group's Erno Laszlo brand is gradually establishing itself amongst consumers. The Group is maintaining a high-end profile for this brand, traditionally associated with upmarket consumers. Expansion is proceeding cautiously, in line with gradual growth in demand. Following the end of the reporting period, in November 2010 the Group opened another Erno Laszlo outlet in Times Square in Causeway Bay. The next step for this brand will be to launch it in Mainland China. Currently the process of product hygiene permit registration is underway, and the Group expects to start operations in Mainland China with this brand in the fourth quarter of 2011.

## JM Makeup

The Group's self-owned JM Makeup brand is still in its early stages, and the Group is currently looking to maximise its exposure and distribution in order to reach the broadest possible mass and fast-moving consumer goods market amongst younger consumers in Mainland China. In the coming months, the Group will be expanding its brand coverage by adopting a wider range of distribution channels.

In summary, the coming year will see the Group continue with its ongoing repositioning process, moving from its traditional role of brand distributor to emerge as a brand owner and multi-brand distributor. This will enable it to draw on multiple income streams and be far less reliant on single brand performance. The Group's key brands for development in the coming months will be Glycel and JM Makeup, each of which has high potential for widespread sales when optimally marketed and distributed.

# Directors and Senior Management

## DIRECTORS

### EXECUTIVE DIRECTORS

**Ms. YU Lai Si**, aged 49, 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 58, 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 58, 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 60, 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 55, 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**, B.B.S., J.P., aged 62, is an independent non-executive director. Dr. Wong is a Practising Certified Public Accountant. He is the managing director of Wong Lam Leung & Kwok CPA Limited, Patrick Wong CPA Limited and Hong Kong Pengcheng CPA Limited and has over 30 years experiences in the accountancy profession. Dr. Wong obtained a Doctor degree of Philosophy in Business, and was awarded a Badge of Honour in 1993 by the Queen of England. He has been appointed as a Justice of the Peace since 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) in 2010 by The Government of the Hong Kong Special Administrative Region. Dr. Wong has also been appointed Adjunct Professor of the School of Accounting and Finance of Hong Kong Polytechnic University since 2002. Besides, Dr. Wong also involves in many other community services, holding posts in various organisations, government committees and voluntary agencies. Dr. Wong is currently an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Galaxy Entertainment Group Limited, Guangzhou Pharmaceutical Company Limited, Ruinian International Limited, Sino Oil and Gas Holdings Limited and National Arts Holdings Limited, all are listed on The Stock Exchange of Hong Kong Limited.

**Mr. WONG Chun Nam**, **Duffy**, J.P., aged 57, 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, a Certified Tax Adviser, and a member of the Chartered Institute of Arbitrators. He participates in many community services including being a Justice of the Peace, the Chief Adjudicator of Immigration Tribunal and a member of the Quality Education Fund Steering Committee.

**Dr. WONG Chi Keung**, aged 55, 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 Guangxi 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. Dr. Wong is currently the managing director of Y. T. Realty Group Limited and executive director of The Cross-Harbour (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. Besides, he is a director of The Hong Kong School of Motoring Limited and an alternate director of Autotoll Limited.

## SENIOR MANAGEMENT

**Mr. AU Moon Ying, Henry**, aged 44, 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 43, 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 37, 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 42, 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 57, is the Operations Director in charge of spa operations and beauty salon operations of Glycel brand 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. LIANG Shang Chiu, Josephine**, aged 40, is the Brand CEO in charge of ~$H_2O$+ brand operations in Mainland China, Hong Kong, Macau, Taiwan and Singapore as well as other brands' operations in Mainland China. Ms. Liang has obtained her MBA Degree from the United States of America. She has more than 16 years of working experiences in the cosmetic industry working for various international brands and various global companies as management. Ms. Liang joined the Group in June 2010.

**Ms. NIP Pui Que, Phoebe**, aged 46, 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 33, is the Operations Manager. Joining the Group in 1999, Mr. Tam is currently in charge of retail operations of ~$H_2O$+ brand in Hong Kong and Singapore, retail operations of Glycel brand in Hong Kong 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's Annual Report for the year ended 30th September, 2010.

In November 2004, The Stock Exchange of Hong Kong Limited (the "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, 2010.

### 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 six times during the year ended 30th September, 2010.

### 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, 2010 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 | 3/3 | Nil | 3/3 | | | 1/1 | 1/1 |
| TAM Chie Sang | 3/3 | Nil | 3/3 | | | | 1/1 |
| YU Lai Chu, Eileen | 3/3 | | 3/3 | | | | 1/1 |
| YU Kam Shui, Erastus | 3/3 | | 3/3 | | | | 1/1 |
| LAI Yin Ping | 3/3 | | 3/3 | | | | 1/1 |
| **Independent Non-executive Directors** | | | | | | | |
| WONG Lung Tak, Patrick, B.B.S., J.P. | 3/3 | | | 3/3 | 1/1 | 1/1 | 1/1 |
| WONG Chun Nam, Duffy, J.P. | 3/3 | | | 3/3 | 1/1 | 1/1 | 1/1 |
| WONG Chi Keung | 3/3 | | | 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, B.B.S., 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 annual 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, 2010, three meetings were held by the Audit Committee. At the meetings, it reviewed the annual results for 2009 and the interim results for 2010 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, Duffy, J.P..

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, 2010, 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, 2010, 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:

| | 2010<br>HK$'000 |
|---|---|
| Statutory audit | **1,508** |
| Non-audit services | **528** |
| Total | **2,036** |

The non-audit services mainly comprised tax compliance, interim review service and certain agree-upon-procedure work.

The responsibilities of the independent auditor with respect to the 2010 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 30 to 31.

## 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, 2010. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry 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 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, 2010.

## 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. In addition, some of its principal subsidiaries own and are engaged in the distribution of Glycel brand skin-care products in Hong Kong and JM Makeup brand cosmetic products in Mainland China. Certain of its principal subsidiaries also engaged in the operation of spa and beauty centres in Hong Kong under the brand names "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "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, 2010 are set out in note 38 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2010 are set out in the consolidated income statement on page 32.

The directors recommended a final dividend of 4.0 HK cents per share for the year ended 30th September, 2010 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 8th February, 2011. Subject to the passing of the relevant resolution at the forthcoming AGM of the Company, the final dividend will be payable on 17th February, 2011.

## SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2010 are set out in note 30 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, 2010 was measured using the fair value model. Details of which are set out in note 18 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 19 to the consolidated financial statements.

## PREPAID LEASE PAYMENTS

Details of prepaid lease payments of the Group are set out in note 20 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 93.

## 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, B.B.S., J.P.
WONG Chun Nam, Duffy, J.P.
WONG Chi Keung

In accordance with Articles 87(1) and (2) of the Company's articles of association, Tam Chie Sang and Wong Chi Keung would retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company considers that Wong Lung Tak, Patrick, B.B.S., J.P., Wong Chun Nam, Duffy, J.P. 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, 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 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 | 21.7% |
| | 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 | 21.1% |
| | 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 | 21.1% |
| | 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 | 4,000,000 ordinary | – | 6,000,000 ordinary(4) | – | 10,000,000 ordinary | 1.3% |
| Lai Yin Ping | The Company | Beneficial owner and interest of spouse | 6,000,000 ordinary | – | 4,000,000 ordinary(5) | – | 10,000,000 ordinary | 1.3% |
| Wong Lung Tak, Patrick, B.B.S., J.P. | The Company | Beneficial owner | 1,200,000 ordinary | – | – | – | 1,200,000 ordinary | 0.2% |
| Wong Chun Nam, Duffy, J.P. | The Company | Beneficial owner | 1,200,000 ordinary | – | – | – | 1,200,000 ordinary | 0.2% |

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

### LONG POSITION IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

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, 2010, 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

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

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.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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 | 20.3% |
| Advance Favour Holdings Limited(2) | Interest of a controlled corporation | 77,666,880 | 10.2% |
| Billion Well Holdings Limited(3) | Interest of a controlled corporation | 77,666,880 | 10.2% |
| Luminary Capital Limited(4) | Interest of a controlled corporation | 73,911,200 | 9.7% |
| Darby Overseas Investments, Ltd.(5) | Interest of a controlled corporation | 42,487,822 | 5.6% |

Notes:

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

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

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

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

(5) Darby Overseas Investments, Ltd. is a company incorporated in Delaware, United States of America and is beneficially owned by Franklin Resources, Inc.

## 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, 2010, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 89% 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, 2010, distributable reserves of the Company amounted to approximately HK$40.5 million (2009: HK$44.5 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, 2010 amounted to approximately HK$217.5 million (2009: HK$145.8 million). The Group generally finances its operation with internally generated resources.

The gearing ratio, expressed as a percentage of the secured mortgage loan and convertible bond over total equity of approximately HK$249.4 million (2009: HK$196.6 million), is approximately 32% (2009: 21%).

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, 2010, the Group employed 1,638 staff (2009: 1,579). 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.

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

During the year ended 30th September, 2010, 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, 2010 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

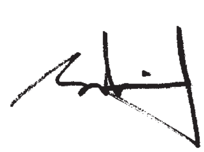
The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung who are the independent non-executive directors of the Company.

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, 2010 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, 17th December, 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**
*(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 32 to 92, which comprise the consolidated statement of financial position as at 30th September, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 2010 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, 17th December, 2010

# Consolidated Income Statement

| | Notes | FOR THE YEAR ENDED 30TH SEPTEMBER, 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Turnover | 7 | **911,878** | 920,955 |
| Purchases and changes in inventories of finished goods | | **(217,402)** | (234,810) |
| Other income | | **3,178** | 13,831 |
| Other gains or losses | 8 | **44,088** | (1,405) |
| Staff costs | 14 | **(255,142)** | (243,032) |
| Depreciation of property, plant and equipment | | **(27,299)** | (25,196) |
| Finance costs | 9 | **(2,901)** | (950) |
| Other expenses | | **(385,125)** | (328,233) |
| Profit before taxation | | **71,275** | 101,160 |
| Taxation | 10 | **(13,881)** | (17,729) |
| Profit for the year | 11 | **57,394** | 83,431 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **59,181** | 80,991 |
| Non-controlling interests | | **(1,787)** | 2,440 |
| | | **57,394** | 83,431 |
| Earnings per share | | | |
| Basic | 12 | **7.9 HK cents** | 11.0 HK cents |
| Diluted | 12 | **7.7 HK cents** | 11.0 HK cents |

# Consolidated Statement of Comprehensive Income

| | For the year ended 30th September, | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Profit for the year | **57,394** | 83,431 |
| Other comprehensive income: | | |
| Exchange difference arising on translation and other comprehensive income for the year | **83** | 2 |
| Total comprehensive income for the year | **57,477** | 83,433 |
| Total comprehensive income for the year attributable to: | | |
| Owners of the Company | **59,264** | 80,993 |
| Non-controlling interests | **(1,787)** | 2,440 |
| | **57,477** | 83,433 |

# Consolidated Statement of Financial Position

| | Notes | AS AT 30TH SEPTEMBER, 2010 HK$'000 | 2009 HK$'000 *(restated)* | AS AT 1ST OCTOBER, 2008 HK$'000 *(restated)* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 16 | **59,553** | 1,044 | 1,125 |
| Goodwill | 17 | **3,978** | 966 | 966 |
| Investment properties | 18 | **163,220** | 37,700 | 33,700 |
| Property, plant and equipment | 19 | **44,033** | 40,795 | 43,905 |
| Prepaid lease payments | 20 | **–** | 75,362 | 75,452 |
| Rental deposits | 21 | **28,048** | 18,984 | 17,175 |
| Deferred tax assets | 33 | **11,126** | 5,291 | 4,418 |
| Financial assets at fair value through profit or loss | 22 | **–** | – | 17,328 |
| | | **309,958** | 180,142 | 194,069 |
| **Current assets** | | | | |
| Inventories | 23 | **71,472** | 99,767 | 65,941 |
| Prepaid lease payments | 20 | **–** | 90 | 90 |
| Financial assets at fair value through profit or loss | 22 | **–** | – | 4,203 |
| Trade receivables | 24 | **77,880** | 72,031 | 73,312 |
| Prepayments | | **33,735** | 24,511 | 26,654 |
| Other deposits and receivables | | **19,518** | 15,527 | 16,078 |
| Tax recoverable | | **105** | 253 | – |
| Bank balances and cash | 25 | **217,536** | 145,794 | 141,423 |
| | | **420,246** | 357,973 | 327,701 |
| **Current liabilities** | | | | |
| Trade payables | 26 | **11,231** | 21,547 | 11,898 |
| Accruals and other payables | | **121,106** | 91,770 | 86,329 |
| Amount due to a non-controlling shareholder of subsidiaries | 27 | **6,989** | – | – |
| Receipts in advance | 28 | **224,648** | 166,831 | 170,242 |
| Secured mortgage loan | 29 | **39,588** | 42,220 | 44,794 |
| Tax payable | | **12,274** | 11,976 | 17,744 |
| | | **415,836** | 334,344 | 331,007 |
| **Net current assets (liabilities)** | | **4,410** | 23,629 | (3,306) |
| **Total assets less current liabilities** | | **314,368** | 203,771 | 190,763 |

# Consolidated Statement of Financial Position
## (Continued)

| | Notes | AS AT 30TH SEPTEMBER, 2010 HK$'000 | 2009 HK$'000 *(restated)* | AS AT 1ST OCTOBER, 2008 HK$'000 *(restated)* |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Share capital | 30 | **76,395** | 36,956 | 36,608 |
| Reserves | | **160,881** | 146,704 | 144,053 |
| **Equity attributable to owners of the Company** | | **237,276** | 183,660 | 180,661 |
| **Non-controlling interests** | | **12,105** | 12,930 | 8,715 |
| **Total equity** | | **249,381** | 196,590 | 189,376 |
| **Non-current liabilities** | | | | |
| Pension obligations | 32 | **274** | 339 | 407 |
| Deferred tax liabilities | 33 | **25,304** | 6,842 | 980 |
| Convertible bond | 34 | **39,409** | – | – |
| | | **64,987** | 7,181 | 1,387 |
| | | **314,368** | 203,771 | 190,763 |

The consolidated financial statements on pages 32 to 92 were approved and authorised for issue by the Board of Directors on 17th December, 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 | 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$'000 | Convertible bond equity reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1st October, 2008 | | 36,608 | 38,205 | 12,984 | (1,766) | 450 | 1,797 | – | – | 92,383 | 180,661 | 8,715 | 189,376 |
| Profit for the year | | – | – | – | – | – | – | – | – | 80,991 | 80,991 | 2,440 | 83,431 |
| Other comprehensive income for the year | | – | – | 2 | – | – | – | – | – | – | 2 | – | 2 |
| Total comprehensive income for the year | | – | – | 2 | – | – | – | – | – | 80,991 | 80,993 | 2,440 | 83,433 |
| Issue of shares upon exercise of share options | 30 | 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 non-controlling shareholder | | – | – | – | – | – | – | – | – | – | – | (2,022) | (2,022) |
| Capital contribution from non-controlling 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 |
| **Profit for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **59,181** | **59,181** | **(1,787)** | **57,394** |
| **Other comprehensive income for the year** | | **-** | **-** | **83** | **-** | **-** | **-** | **-** | **-** | **-** | **83** | **-** | **83** |
| **Total comprehensive income for the year** | | **-** | **-** | **83** | **-** | **-** | **-** | **-** | **-** | **59,181** | **59,264** | **(1,787)** | **57,477** |
| **Bonus issue of shares** | **30** | **36,956** | **(36,956)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Issue of shares upon subscription** | **30** | **2,483** | **36,517** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **39,000** | **-** | **39,000** |
| **2009 final dividend paid** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(36,956)** | **(36,956)** | **-** | **(36,956)** |
| **2010 interim dividend paid** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(22,919)** | **(22,919)** | **-** | **(22,919)** |
| **Recognition of equity-settled share-based payment expenses** | | **-** | **-** | **-** | **-** | **-** | **-** | **13,880** | **-** | **-** | **13,880** | **-** | **13,880** |
| **Deferred tax arising on issue of convertible bond** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(263)** | **-** | **(263)** | **-** | **(263)** |
| **Recognition of equity component of convertible bond** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,610** | **-** | **1,610** | **-** | **1,610** |
| **Dividends payable to a non-controlling shareholder** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(891)** | **(891)** |
| **Capital contribution from a non-controlling shareholder of subsidiaries** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,853** | **1,853** |
| | | **39,439** | **(439)** | **-** | **-** | **-** | **-** | **13,880** | **1,347** | **(59,875)** | **(5,648)** | **962** | **(4,686)** |
| **At 30th September, 2010** | | **76,395** | **38,879** | **13,069** | **(1,766)** | **450** | **1,797** | **13,880** | **1,347** | **93,225** | **237,276** | **12,105** | **249,381** |

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 Statement of Cash Flows

| | FOR THE YEAR ENDED 30TH SEPTEMBER, | |
|---|---|---|
| | 2010<br>HK$'000 | 2009<br>HK$'000 |
| Operating activities | | |
| Profit before taxation | 71,275 | 101,160 |
| Adjustments for: | | |
| Amortisation of intangible assets | 420 | 428 |
| Amortisation of prepaid lease payments | 30 | 90 |
| Depreciation of property, plant and equipment | 27,299 | 25,196 |
| Deficit arising on revaluation of property and prepaid lease payments upon transfer to investment property | 6,157 | – |
| Gain on fair value change of investment properties | (50,520) | (4,000) |
| Interest expenses on secured mortgage loan | 882 | 950 |
| Effective interest expenses on convertible bond | 2,019 | – |
| Interest income on bank deposits | (895) | (662) |
| Loss on disposal of financial assets at fair value through profit or loss | – | 3,610 |
| (Gain) loss on disposal/write-off of property, plant and equipment | (72) | 18 |
| Equity-settled share-based payment expenses | 13,880 | – |
| Operating cash flows before movements in working capital | 70,475 | 126,790 |
| Decrease (increase) in inventories | 30,327 | (33,826) |
| (Increase) decrease in trade receivables | (5,849) | 1,281 |
| (Increase) decrease in rental deposits, prepayments, other deposits and receivables | (22,262) | 885 |
| (Decrease) increase in trade payables | (10,316) | 9,649 |
| Increase in accruals and other payables | 28,113 | 4,847 |
| Increase (decrease) in receipts in advance | 26,475 | (3,411) |
| Decrease in pension obligations | (65) | (68) |
| Cash generated from operations | 116,898 | 106,147 |
| Hong Kong Profits Tax paid | (4,429) | (4,438) |
| Overseas tax paid | (6,360) | (14,323) |
| Net cash from operating activities | 106,109 | 87,386 |

# Consolidated Statement of Cash Flows
## (Continued)

| | Note | FOR THE YEAR ENDED 30TH SEPTEMBER, 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(32,349)** | (24,270) |
| Acquisition of subsidiaries | 35 | **(26,495)** | – |
| Interest received on bank deposits | | **895** | 662 |
| Proceeds on disposal of property, plant and equipment | | **79** | 2,166 |
| Increase in intangible assets | | **(33)** | (347) |
| Proceeds on disposal of financial assets at fair value through profit or loss | | **–** | 17,921 |
| Net cash used in investing activities | | **(57,903)** | (3,868) |
| **Financing activities** | | | |
| Dividends paid | | **(59,875)** | (79,455) |
| Repayment of secured mortgage loan | | **(2,632)** | (2,574) |
| Interest paid on secured mortgage loan | | **(882)** | (950) |
| Proceeds from issue of convertible bond | | **39,000** | – |
| Proceeds from issue of shares upon subscription | | **39,000** | – |
| Advance from a non-controlling shareholder of subsidiaries | | **6,989** | – |
| Capital contribution from a non-controlling shareholder of subsidiaries | | **1,853** | 3,797 |
| Dividends paid to a non-controlling shareholder of a subsidiary | | **–** | (1,428) |
| Proceeds from exercise of share options | | **–** | 1,461 |
| Net cash from (used in) financing activities | | **23,453** | (79,149) |
| Net increase in cash and cash equivalents | | **71,659** | 4,369 |
| Cash and cash equivalents at beginning of the year | | **145,794** | 141,423 |
| Effect of foreign exchange rate changes | | **83** | 2 |
| Cash and cash equivalents at end of the year, represented by bank balances and cash | | **217,536** | 145,794 |

# 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 beauty salons, spa and medical 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 and revised Hong Kong Accounting Standards ("HKASs"), Amendments and Interpretations ("new and revised HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 27 (Revised 2008) | 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 2008) | Business Combinations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK-Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC)-Int 17 | Distribution of Non-cash Assets to Owners |
| HKFRSs (Amendments) | Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvement to HKFRSs 2009 in relation to amendment to paragraph 80 of HKAS 39 |

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

***HKAS 1 (Revised 2007) Presentation of Financial Statements***

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and change in the format and content of the consolidated financial statements.

The application of HKAS 1 (Revised 2007) requires the presentation of an additional "statement of financial position" as at the beginning of the earliest comparative period whenever the Group applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification in the consolidated financial statements.

***HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements***

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding allocation of total comprehensive income to non-controlling interests as describe in note 3.

***HKFRS 3 (Revised 2008) Business Combinations***

HKFRS 3 (Revised 2008) has been applied prospectively from 1st October, 2009. Its application has affected the accounting for the Group's acquisition of subsidiaries during the year. Details of which are set out in note 35.

The adoption of HKFRS 3 (Revised 2008) requires acquisition-related costs of business combinations to be accounted for as expenses. As a result, the Group has recognised HK$1,021,000 of such costs as an expense in the consolidated income statement, whereas previously they would have been accounted for as part of the cost of the acquisition.

During the year, these changes in policies have affected the accounting for the acquisition of subsidiaries as set out in note 35 and resulted in lower amount of goodwill recognised in the consolidated statement of financial position of HK$1,021,000 and a corresponding decrease in profit for the year in the consolidated income statement arising on the recognition of acquisition-related costs when incurred as result of the application of HKFRS 3 (Revised 2008).

Other than as described above, the other applications of HKAS 27 (Revised 2008), HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

***HKFRS 8 Operating Segments***

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 7.

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

***HK-Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

The Group applied HK-Int 5 and changed the classification of a term loan that contains a repayment on demand clause. Term loans are loans which are repayable on a specified date or in instalments over a period of time. In previous years, term loans were classified in the consolidated statement of financial position according to the scheduled repayment dates. The adoption of HK-Int 5 requires term loans which include an overriding repayment on demand clause in the loan agreement that give the lender an unconditional right to call the loan at any time to be classified as current liability. In addition, the contractual maturity analysis of these term loans is revised. Details of which are set out in note 6.

***Summary of the effect of the adoption of HK-Int 5***

The effect of the adoption of HK-Int 5 above on the consolidated statement of financial position of the Group as at 1st October, 2008 and 30th September, 2009 is as follows:

| | As at 1st October, 2008 (originally stated) | Effect of HK-Int 5 | As at 1st October, 2008 (restated) | As at 30th September, 2009 (originally stated) | Effect of HK-Int 5 | As at 30th September, 2009 (restated) |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current liabilities** | | | | | | |
| Secured mortgage loan | 2,529 | 42,265 | 44,794 | 2,631 | 39,589 | 42,220 |
| **Non-current liabilities** | | | | | | |
| Secured mortgage loan | 42,265 | (42,265) | – | 39,589 | (39,589) | – |
| Total effect on liabilities | 44,794 | – | 44,794 | 42,220 | – | 42,220 |

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvement to HKFRSs 2009 (except for amendment to paragraph 80 of HKAS 39)[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[2] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HKAS 32 (Amendment) | Classification of Rights Issues[4] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[5] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[3] |
| HKFRS 7 (Amendment) | Disclosures – Transfers of Financial Assets[7] |
| HKFRS 9 | Financial Instruments[8] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[6] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[5] |

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010
2 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2010
4 Effective for annual periods beginning on or after 1st February, 2010
5 Effective for annual periods beginning on or after 1st July, 2010
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st July, 2011
8 Effective for annual periods beginning on or after 1st January, 2013

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

## 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.

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

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.

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

*Allocation of total comprehensive income to non-controlling interests*

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st October, 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

### Business Combinations

*Business combinations prior to 1st October, 2009*

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 non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business Combinations (Continued)

*Business combinations on or after 1st October, 2009*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 statement of financial position.

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 the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in 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, or at fair value at the date of transfer if an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment Properties (Continued)

Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties 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.

### 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any resulting increase or decrease in the carrying amount arising on revaluation of that item at the date of transfer is recognised in the consolidated income statement.

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 and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

### Intangible Assets

*Intangible assets acquired separately*

Expenditure on acquiring licenses for sale of products is carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for such licenses is provided on a straight-line method over the license period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible Assets (Continued)

*Intangible assets acquired in a business combination*

Trademarks acquired in a business combination is identified and recognised separately from goodwill as they satisfy the definition of an intangible asset and their fair values can be measured reliably. The costs of such intangible asset are their fair values at the acquisition date.

The Group's trademarks are of indefinite useful lives. Accordingly, subsequent to initial recognition, the trademarks are carried at cost less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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.

### Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

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 statement of financial position 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Instruments (Continued)

*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 to the net carrying amount on initial recognition.

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.

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 reporting 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Instruments (Continued)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including 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 the end of each reporting period. 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Instruments (Continued)

*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, amount due to a non-controlling shareholder of subsidiaries, secured mortgage loan and convertible bond are subsequently measured at amortised cost, using the effective interest method.

*Convertible bond*

Convertible bond issued by the Group that contains both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity will be released to retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Instruments (Continued)

#### *Convertible bond* (Continued)

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to their respectively fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond 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.

### 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 end of the reporting period.

### 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. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Deferred Taxation (Continued)

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### 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 end of the reporting period.

*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 end of the reporting period. 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*

Share options issued in exchange for services are measured at their fair values of the service received, unless that fair value cannot be reliably measured, in which cases the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses over the period the counterparties render services.

### 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 best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation at the end of the reporting period. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

### 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 fair 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 receipts in advance and classified as current 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 receipts in advance and classified as current liabilities and are recognised on a systematic basis in accordance with service usage. Upon expiry of prepaid packages, the corresponding unutilised receipts in advance are fully recognised as revenue.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest Income

Interest income is recognised using the effective interest method.

### 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*

Operating lease payments are recognised as an expense 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 JUDGEMENT 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 Judgement in Applying the Group'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 Group'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 JUDGEMENT 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 end of the reporting period, 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, 2010 was approximately HK$26,300,000 (2009: 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.

(c) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 30th September, 2010 at their fair value, details of which are disclosed in note 18. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated income statement and the carrying amount of these properties included in the consolidated statement of financial position.

(d) Recoverability of Deferred Tax Assets

Determining whether deferred tax assets with carrying amounts of approximately HK$11,126,000 as at 30th September, 2010 (2009: HK$5,291,000, 2008: HK$4,418,000) can be recovered requires an estimation of the availability of sufficient taxable profits which allows the deferred tax assets to be recovered. The recoverability of deferred tax assets requires the Group to estimate the probability of taxable profits expected to arise from future operations. At the end of each reporting period, management has evaluated the recoverability of deferred tax assets by way of profit forecast when necessary.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key Source of Estimation Uncertainty (Continued)

(e) Useful Lives of Intangible Assets

As at 30th September, 2010, the carrying amounts of the Group's intangible assets with definite and indefinite useful lives are approximately HK$657,000 (2009: HK$1,044,000, 2008: HK$1,125,000) and HK$58,896,000 (2009: nil, 2008: nil), respectively. The estimated useful lives of the assets reflect the directors' estimate of the periods over which the intangible assets are expected to generate net cash flows for the Group based on certain assumptions of prevailing market conditions. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses and impairment losses in future years. Details of the intangible assets are set out in note 16.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it 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 and convertible bond as disclosed in notes 29 and 34 respectively and equity attributable to owners of the Company, comprising share capital, share premium, exchange reserve, capital reserve, capital redemption reserve, statutory fund reserve, share options reserve, convertible bond equity 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

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Financial assets** | | | |
| At fair value through profit or loss | – | – | 21,531 |
| Loans and receivables (including cash and cash equivalents) | 305,450 | 218,861 | 219,779 |
| **Financial liabilities** | | | |
| Amortised cost (including liability component of the convertible bond) | 140,953 | 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, trade receivables, other receivables, bank balances, trade payables, other payables, amount due to a non-controlling shareholder of subsidiaries, secured mortgage loan and convertible bond. 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, 2010, 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 statement of financial position.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers as 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, Macau and Mainland China which accounted for 95% (2009: 93%, 2008: 93%) of the total trade receivables as at 30th September, 2010.

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 end of the reporting period, the carrying amounts of the Group's major monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities are as follows:

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Assets | | | |
| United States Dollars ("US$") | **10,903** | 5,256 | 1,666 |
| Liabilities | | | |
| US$ | **5,899** | 6,539 | 2,807 |
| Japanese Yen ("Yen") | **2,246** | 5,554 | 2,170 |

Sensitivity analysis

The Group is mainly exposed to the fluctuation of Yen.

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to HK$/RMB against Yen. 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 5% strengthening of HK$/RMB against Yen will increase profit for the year as set out below, and vice versa.

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| HK$/RMB against Yen | **112** | 278 | 109 |

## 6. FINANCIAL INSTRUMENTS (Continued)

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

*(ii) Market Risks (Continued)*

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate convertible bond issued by the Group.

The Group is also exposed to changes in interest rates is mainly attributable to its bank balances and secured mortgage loan. Bank balances and secured mortgage loan at variable rates expose the Group to cash flow interest rate risk. Details of the Group's bank balances and secured mortgage loan are disclosed in notes 25 and 29 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 rate risk 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 the note 29.

Sensitivity analysis

The following is an analysis of the Group's financial assets and financial liabilities that carried variable interest rates at the end of reporting periods.

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Financial assets | **141,726** | 108,032 | 107,145 |
| Financial liabilities | **39,588** | 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 end of the reporting period were outstanding for the whole year, the Group's post-tax profit for the year ended 30th September, 2010 would increase by HK$165,000 (2009: 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 point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

*(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.

## 6. FINANCIAL INSTRUMENTS (Continued)

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

*(iii) Liquidity Risk (Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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 % | On demand and 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, 2010 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2010 | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Trade payables | – | 10,087 | 1,144 | – | – | – | 11,231 | 11,231 |
| Other payables | – | 43,736 | – | – | – | – | 43,736 | 43,736 |
| Amount due to a non-controlling shareholder of subsidiaries | – | 6,989 | – | – | – | – | 6,989 | 6,989 |
| Secured mortgage loan | 2.15 | 39,588 | – | – | – | – | 39,588 | 39,588 |
| Convertible bond | 13.68 | – | 983 | 967 | 51,921 | – | 53,871 | 39,409 |
| | | 100,400 | 2,127 | 967 | 51,921 | – | 155,415 | 140,953 |

| | Weighted average interest rate % | On demand and 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 | 42,220 | – | – | – | – | 42,220 | 42,220 |
| | | 72,795 | 2,097 | – | – | – | 74,892 | 74,892 |

## 6. FINANCIAL INSTRUMENTS (Continued)

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

*(iii) Liquidity Risk (Continued)*

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's secured mortgage loans based on the scheduled repayment dates set out in the mortgage loan agreement as set out in the table below:

| | Weighted average interest rate % | On demand and 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 amounts as at 30th September HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Secured mortgage loan** | | | | | | | | |
| 2010 | 2.15 | 293 | 585 | 2,635 | 14,052 | 27,809 | 45,374 | 39,588 |
| 2009 | 2.15 | 293 | 585 | 2,635 | 14,052 | 31,324 | 48,889 | 42,220 |

(c) Fair Value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to 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 salons, spa, medical beauty centres and other businesses. Turnover recognised during the year are as follows:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Turnover | | |
| Sales of goods | **613,484** | 647,774 |
| Rendering of services | **298,394** | 273,181 |
| | **911,878** | 920,955 |

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st October, 2009. HKFRS 8 is a disclosure standard that 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, i.e. the Group's Executive Directors, for the purpose of allocating resources to segments and assessing 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.

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 operating 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 segment – the retail sales of skin-care products

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

The Group's Executive Directors make decisions according to the operating results of each segment and reports on the aging analysis of inventories and trade receivables. No analysis of segment asset and segment liability is presented as the Group's Executive Directors do not review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## 7. TURNOVER AND SEGMENT INFORMATION (Continued)

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

| | Retail segment | | Services segment | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Sales to external customers | **613,484** | 647,774 | **298,394** | 273,181 | **–** | – | **911,878** | 920,955 |
| Inter-segment sales | **26,806** | 25,458 | **–** | – | **(26,806)** | (25,458) | **–** | – |
| Total | **640,290** | 673,232 | **298,394** | 273,181 | **(26,806)** | (25,458) | **911,878** | 920,955 |
| Segment results | **42,173** | 84,032 | **59,408** | 55,219 | **–** | – | **101,581** | 139,251 |
| Other income | | | | | | | **3,178** | 13,831 |
| Other gains or losses | | | | | | | **44,088** | (1,405) |
| Finance costs | | | | | | | **(2,901)** | (950) |
| Central administrative costs | | | | | | | **(74,671)** | (49,567) |
| Profit before taxation | | | | | | | **71,275** | 101,160 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of income, gains or losses of the corporation function, central administrative costs, directors' emoluments and finance costs. This is the measure reported to the Group's directors for the purposes of the resource allocation and performance assessment.

The following is an analysis of the Group's other segment information for the year:

| | Retail segment | | Services segment | | Total | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **OTHER SEGMENT INFORMATION** | | | | | | |
| Depreciation of property, plant and equipment | **16,411** | 14,158 | **10,888** | 11,038 | **27,299** | 25,196 |
| Amortisation of intangible assets | **420** | 428 | **–** | – | **420** | 428 |
| Amortisation of prepaid lease payments | **30** | 90 | **–** | – | **30** | 90 |

## 7. TURNOVER AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are located in Hong Kong, Macau, Mainland China, Taiwan and Singapore.

The Group's turnover and information about its non-current assets by geographical location are detailed below:

| | Turnover | | Non-current assets | |
|---|---|---|---|---|
| | **2010 HK$'000** | 2009 HK$'000 | **2010 HK$'000** | 2009 HK$'000 |
| Hong Kong and Macau | **440,662** | 391,706 | **221,743** | 155,240 |
| Mainland China | **421,695** | 478,349 | **13,420** | 17,617 |
| Taiwan | **42,322** | 42,587 | **704** | 967 |
| Singapore | **7,199** | 8,313 | **91** | 61 |
| | **911,878** | 920,955 | **235,958** | 173,885 |

### Information about major customers

No sales made to customers contributed over 10% of the total sales of the Group for both years.

## 8. OTHER GAINS OR LOSSES

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Gain on fair value change of investment properties | **50,520** | 4,000 |
| Deficit arising on revaluation of property and prepaid lease payments upon transfer to investment property | **(6,157)** | – |
| Gain (loss) on disposal of property, plant and equipment | **72** | (18) |
| Loss on disposal of financial assets at fair value through profit or loss | **–** | (3,610) |
| Net exchange loss | **(347)** | (1,777) |
| | **44,088** | (1,405) |

## 9. FINANCE COSTS

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Interest expenses on secured mortgage loan | **882** | 950 |
| Effective interest expenses on convertible bond (note 34) | **2,019** | – |
| | **2,901** | 950 |

## 10. TAXATION

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Current taxation | | |
| Hong Kong Profits Tax | **7,160** | 2,567 |
| Overseas taxation | **5,813** | 12,620 |
| Overprovision in prior years | **(1,738)** | (2,447) |
| | **11,235** | 12,740 |
| Deferred taxation (note 33) | | |
| Current year | **2,646** | 4,989 |
| | **13,881** | 17,729 |

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

## 10. TAXATION (Continued)

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 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.

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 as set out in note 33.

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

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

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Profit before taxation | **71,275** | 101,160 |
| Tax at Hong Kong Profits Tax rate of 16.5% | **11,760** | 16,691 |
| Effect of different tax rates applied in other jurisdictions | **1,021** | 4,165 |
| Tax effect of income not taxable for tax purpose | **(600)** | (421) |
| Tax effect of expenses not deductible for tax purpose | **486** | 862 |
| Utilisation of tax losses previously not recognised | **(758)** | (3,167) |
| Tax effect of tax losses not recognised | **3,390** | 745 |
| Overprovision in prior years | **(1,738)** | (2,447) |
| Effect of tax reduction granted to subsidiaries | **(261)** | (1,140) |
| Tax effect of withholding tax arising from undistributable profit of subsidiaries | **1,934** | 5,260 |
| Income tax at preferential rates | **(1,605)** | (3,054) |
| Others | **252** | 235 |
| Taxation for the year | **13,881** | 17,729 |

## 11. PROFIT FOR THE YEAR

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Profit for the year is stated at after charging: | | |
| Amortisation of intangible assets | **420** | 428 |
| Amortisation of prepaid lease payments | **30** | 90 |
| Auditor's remuneration | **1,508** | 1,307 |
| Equity-settled share-based payment expenses | **13,880** | – |
| Operating lease rentals in respect of land and buildings | | |
| – minimum lease payments | **79,498** | 60,783 |
| – contingent rent | **4,903** | 4,819 |
| | | |
| and after crediting: | | |
| Interest income on bank deposits | **895** | 662 |
| Rental income from investment properties | **1,630** | 2,719 |

## 12. 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:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share | **59,181** | 80,991 |

| | Number of shares | |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **749,320,533** | 737,760,768 |
| Effect of dilutive potential ordinary shares in respect of share options | **15,221,886** | 1,028,094 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **764,542,419** | 738,788,862 |

The denominators for the purpose of calculating basic and diluted earnings per share for the year ended 30th September, 2009 have been adjusted to reflect the bonus issue of shares on a one-to-one basis on 30th March, 2010.

Diluted earnings per share for the year ended 30th September, 2010 does not include the effect of the convertible bond because it would result in an increase in earnings per share.

## 13. DIVIDENDS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Interim dividend declared and paid of 3.0 HK cents (2009: 8.0 HK cents) per share | **22,919** | 29,565 |
| Special interim dividend declared and paid of nil (2009: 2.0 HK cents) per share | **–** | 7,391 |
| | **22,919** | 36,956 |
| Final dividend proposed after the end of the reporting period of 4.0 HK cents (2009: 10.0 HK cents) per share | **30,558** | 36,956 |
| | **53,477** | 73,912 |

The 2010 final dividend of 4.0 HK cents per share, amounting to approximately HK$30,558,000 (2009: HK$36,956,000), has been proposed by the directors after the end of the reporting period 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, 2010 were approximately HK$59,875,000 (2009: HK$79,455,000).

## 14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Wages, salaries, bonuses and allowances | **239,628** | 228,909 |
| Pension costs – defined benefit plan (note 32) | **(65)** | (68) |
| Pension costs – defined contribution plans | **15,311** | 15,589 |
| Unutilised annual leave | **268** | (1,398) |
| | **255,142** | 243,032 |

## 15. 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 | 2010 Total emoluments HK$'000 | 2009 Total emoluments HK$'000 |
|---|---|---|---|---|---|---|
| Yu Lai Si[(4)] | – | 7,312 | 3,200 | 12 | **10,524** | 9,752 |
| Tam Chie Sang | – | 897 | 800 | 12 | **1,709** | 1,619 |
| Yu Lai Chu, Eileen | – | 897 | 800 | 12 | **1,709** | 1,619 |
| Yu Kam Shui, Erastus | – | 897 | 800 | 12 | **1,709** | 2,036 |
| Lai Yin Ping | – | 897 | 800 | 12 | **1,709** | 1,619 |
| Wong Lung Tak, Patrick, B.B.S., J.P.[(1)(2)(3)(4)] | 150 | – | – | – | **150** | 150 |
| Wong Chun Nam, Duffy, J.P.[(1)(2)(3)(4)] | 150 | – | – | – | **150** | 150 |
| Wong Chi Keung[(1)(2)(3)(4)] | 150 | – | – | – | **150** | 150 |
| Total for the year 2010 | 450 | 10,900 | 6,400 | 60 | **17,810** | |
| Total for the year 2009 | 450 | 10,905 | 5,680 | 60 | | 17,095 |

(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

Details of the Company's share option scheme are disclosed in the Directors' Report and note 31.

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

(b) Five Highest Paid Individuals

The highest paid individual of the Group for the year is the Company's Executive Director, Ms. Yu Lai Si, whose emoluments are reflected in the analysis presented above. The emoluments of each of the Company's other four executive directors are the fifth highest in the Group during the year and are also reflected in the analysis above. Emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Basic salaries, housing and other allowances | **6,086** | 8,617 |
| Bonuses | **461** | 1,506 |
| Retirement benefit costs | **36** | 36 |
| | **6,583** | 10,159 |

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 | |
|---|---|---|
| | 2010 | 2009 |
| Emolument bands | | |
| HK$1,500,001 – HK$2,000,000 | **1** | – |
| HK$2,000,001 – HK$2,500,000 | **2** | 2 |
| HK$5,500,001 – HK$6,000,000 | **–** | 1 |
| | **3** | 3 |

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.

## 16. INTANGIBLE ASSETS

| | License fees | | Trademarks | | Total | |
|---|---|---|---|---|---|---|
| | 2010 HK$'000 | 2009 HK$'000 | 2010 HK$'000 | 2009 HK$'000 | 2010 HK$'000 | 2009 HK$'000 |
| At the beginning of the year | 1,044 | 1,125 | – | – | 1,044 | 1,125 |
| Additions | 33 | 347 | – | – | 33 | 347 |
| Acquisition of subsidiaries (note 35) | – | – | 58,896 | – | 58,896 | – |
| Amortisation charge | (420) | (428) | – | – | (420) | (428) |
| At the end of the year | 657 | 1,044 | 58,896 | – | 59,553 | 1,044 |
| Cost | 6,972 | 6,939 | 58,896 | – | 65,868 | 6,939 |
| Accumulated amortisation | (6,315) | (5,895) | – | – | (6,315) | (5,895) |
| Carrying value | 657 | 1,044 | 58,896 | – | 59,553 | 1,044 |

Expenditure on acquiring licenses for sale of products is capitalised. The Group's license fees have definite useful lives and are amortised over respective license period.

The Group's trademarks have indefinite useful lives and are renewable upon expiry at minimal costs. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including profit life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of the trademarks, which are related to a specific product and service line, has been assessed together with the goodwill acquired on the same business combination, as set out in note 17. In the opinion of management, the trademarks have no impairment during the current period.

## 17. GOODWILL

| | HK$'000 |
|---|---|
| **COST** | |
| At 1st October, 2008 and 30th September, 2009 | 966 |
| Acquisition of subsidiaries (note 35) | 3,012 |
| At 30th September, 2010 | 3,978 |

The goodwill is attributable to the following cash generating units ("CGU"):

(i) CGU-A: advertising business included in the Group's service segment of HK$966,000

(ii) CGU-B: a new brand of product and service line acquired during the year of HK$3,012,000

The recoverable amount of the CGU-A has been determined based on a value in use calculation. That calculation uses discounted cash flow projections based on financial forecasts prepared 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-A'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-A to fall below its carrying amount.

In addition to goodwill, CGU-B also includes the trademarks as set out in note 16 which were acquired in the same business combination (note 35). The recoverable amount of CGU-B has been determined based on a value in use calculation. That calculation uses discounted cash flows projections based on financial forecasts prepared by management in the coming 5 years and a discount rate of 16%. 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 CGU-B's past performance and management's expectations for the market developments. Management believes that any reasonable possible change in any of these assumptions would not cause the recoverable amount of CGU-B, which includes goodwill and trademarks, to fall below its carrying amount.

## 18. INVESTMENT PROPERTIES

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **FAIR VALUE** | | | |
| At the beginning of the year | **37,700** | 33,700 | 29,300 |
| Transferred from property, plant and equipment and prepaid lease payments | **75,000** | – | – |
| Increase in fair value recognised in the consolidated income statement | **50,520** | 4,000 | 4,400 |
| At the end of the year | **163,220** | 37,700 | 33,700 |

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

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| In Hong Kong, held on: | | | |
| Leases of 50 years | **35,420** | 31,200 | 27,500 |
| Leases of over 50 years | **127,800** | 6,500 | 6,200 |
| | **163,220** | 37,700 | 33,700 |

During the year, the Group transferred land and building previously classified as prepaid lease payments and property, plant and equipment, respectively, with an aggregated carrying amount of approximately HK$81,157,000 to investment properties. The transfer was evidenced by end of owner occupation. The fair value of the land and building on the date of transfer was revalued to be HK$75,000,000 by Dynasty Premium Asset Valuation of Real Estate Consultancy Limited ("Dynasty Premium"). A deficit on revaluation of approximately HK$6,157,000 was charged to the consolidated income statement during the year.

The fair value of the Group's investment properties at 30th September, 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Dynasty Premium and BMI Appraisals Limited respectively, 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.

## 19. 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, 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 |
| **Additions** | **–** | **24,064** | **–** | **1,658** | **4,328** | **2,299** | **32,349** |
| **Acquisition of subsidiaries (note 35)** | **–** | **3,576** | **1** | **201** | **1** | **151** | **3,930** |
| **Eliminated on disposals** | **–** | **(2,085)** | **(1)** | **–** | **–** | **(79)** | **(2,165)** |
| **Eliminated on write-off** | **–** | **(4,287)** | **–** | **(67)** | **–** | **(7)** | **(4,361)** |
| **Transferred to investment properties (note 18)** | **(5,986)** | **–** | **–** | **–** | **–** | **–** | **(5,986)** |
| **Exchange realignment** | **–** | **4** | **–** | **1** | **–** | **–** | **5** |
| **At 30th September, 2010** | **–** | **125,725** | **3,476** | **11,134** | **36,961** | **11,482** | **188,778** |
| 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 |
| **Provided for the year** | **59** | **19,960** | **729** | **1,505** | **4,002** | **1,044** | **27,299** |
| **Eliminated on disposals** | **–** | **(2,085)** | **–** | **–** | **–** | **(77)** | **(2,162)** |
| **Eliminated on write-off** | **–** | **(4,287)** | **–** | **(66)** | **–** | **(4)** | **(4,357)** |
| **Transferred to investment properties (note 18)** | **(251)** | **–** | **–** | **–** | **–** | **–** | **(251)** |
| **Exchange realignment** | **–** | **4** | **–** | **1** | **–** | **–** | **5** |
| **At 30th September, 2010** | **–** | **99,425** | **2,749** | **8,342** | **26,215** | **8,014** | **144,745** |
| Carrying value | | | | | | | |
| **At 30th September, 2010** | **–** | **26,300** | **727** | **2,792** | **10,746** | **3,468** | **44,033** |
| At 30th September, 2009 | 5,794 | 18,620 | 1,456 | 2,439 | 10,419 | 2,067 | 40,795 |
| At 1st October, 2008 | 5,970 | 20,815 | 1,737 | 2,509 | 10,398 | 2,476 | 43,905 |

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| 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% |

## 20. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Current asset | – | 90 | 90 |
| Non-current asset | – | 75,362 | 75,452 |
| | – | 75,452 | 75,542 |

Pursuant to the change of use of a building are disclosed in note 18, during the year, all the prepaid lease payments amounting to HK$75,422,000, were transferred to investment properties.

## 21. RENTAL DEPOSITS

Rental deposits represents the deposits paid by the Group under non-cancellable operating leases for certain of its leased properties.

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Structured deposits held at banks | – | – | 21,531 |
| Analysed for reporting purposes as: | | | |
| Current asset | – | – | 4,203 |
| Non-current asset | – | – | 17,328 |
| | – | – | 21,531 |

The structured deposits as at 1st October, 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 1st October, 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.

## 23. INVENTORIES

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Finished goods – merchandises | **71,472** | 99,767 | 65,941 |

## 24. TRADE RECEIVABLES

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Trade receivables | **78,658** | 72,809 | 74,090 |
| Less: allowance for bad and doubtful debts | **(778)** | (778) | (778) |
| Total trade receivables | **77,880** | 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, presented based on the payment due date, net of allowance for bad and doubtful debts, at the end of the reporting period:

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| 0 to 30 days | **67,375** | 59,898 | 67,011 |
| 31 days to 60 days | **6,487** | 6,115 | 5,423 |
| 61 days to 90 days | **1,774** | 1,099 | 178 |
| Over 90 days | **2,244** | 4,919 | 700 |
| | **77,880** | 72,031 | 73,312 |

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$2,244,000 (2009: 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.

## 25. 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% (2009: 0.01%, 2008: 1.0%) per annum.

## 26. TRADE PAYABLES

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

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| 0 to 30 days | **11,076** | 19,054 | 10,349 |
| 31 days to 60 days | **155** | 2,493 | 1,549 |
| | **11,231** | 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.

## 27. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

The amount is unsecured, interest-free and repayment on demand.

## 28. 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.

## 29. SECURED MORTGAGE LOAN

| | 2010<br>HK$'000 | 2009<br>HK$'000<br>*(restated)* | 2008<br>HK$'000<br>*(restated)* |
|---|---|---|---|
| Analysed for reporting purpose as current liabilities | **39,588** | 42,220 | 44,794 |

## 29. SECURED MORTGAGE LOAN (Continued)

The scheduled principal repayment dates of the Group with reference to the mortgage loan agreements are as follows:

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Within 1 year | **2,688** | 2,631 | 2,529 |
| 1 year to less than 2 years | **2,746** | 2,689 | 2,590 |
| 2 years to less than 3 years | **2,807** | 2,746 | 2,652 |
| 3 years to less than 4 years | **2,867** | 2,807 | 2,716 |
| 4 years to less than 5 years | **2,929** | 2,867 | 2,783 |
| 5 years or more | **25,551** | 28,480 | 31,524 |
| | **39,588** | 42,220 | 44,794 |

The mortgage loan is secured by the Group's investment property amounting to HK$120,000,000 as at 30th September, 2010 and property and prepaid lease payments amounting to HK$5,794,000 and HK$75,452,000 respectively as at 30th September, 2009. It bears interest at 2.85% per annum below the bank's Best Lending Rate. The effective interest rate is approximately 2.15% (2009: 2.15%) per annum.

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

## 30. SHARE CAPITAL

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Authorised: 1,000,000,000 (2009 and 2008: 1,000,000,000) ordinary shares of HK$0.1 each | **100,000** | 100,000 | 100,000 |
| Issued and fully paid: 763,952,764 (2009: 369,556,000, 2008: 366,076,000) ordinary shares of HK$0.1 each | **76,395** | 36,956 | 36,608 |

| | Issued and fully paid ordinary shares No. of shares | Issued and fully paid ordinary shares HK$'000 |
|---|---|---|
| At 1st October, 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 |
| Bonus issue of shares on a one-to-one basis (note (a)) | 369,556,000 | 36,956 |
| Issue of new shares upon subscription (note (b)) | 24,840,764 | 2,483 |
| At 30th September, 2010 | 763,952,764 | 76,395 |

## 30. SHARE CAPITAL (Continued)

Notes:

(a) On 30th March, 2010, 369,556,000 ordinary shares of the Company of HK$0.1 each has issued on a one-to-one basis by way of capitalisation of part of the Company's share premium. Further details of the bonus issues were set out in the circular of the Company dated 27th January, 2010.

(b) On 4th May, 2010, an aggregate of 24,840,764 subscription shares at the subscription price of HK$1.57 per share was issued and allotted pursuant to a subscription agreement dated 27th April, 2010 entered into between the Company and an independent subscriber (the "Subscription Agreement"). Further details of the aforesaid subscription shares were set out in the announcement of the Company dated 27th April, 2010.

## 31. SHARE OPTIONS

(i) 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.

Options exercised during the year ended 30th September, 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 30th September, 2010 and 2009, 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 30th September, 2009.

(ii) On 18th 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") for a period of 24 months. 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 18th December, 2009 to 17th December, 2012.

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

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$13,880,000 was recognised and charged to the consolidated income statement for the year.

## 31. SHARE OPTIONS (Continued)

(ii) (Continued)

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 | 63.06% |
| 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 year, the Advisor did not exercise its right under the Option to subscribe for any shares in the Company.

Following the issue of bonus shares on 30th 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.

## 32. 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.

## 32. PENSION OBLIGATIONS (Continued)

(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, 2010 and 2009 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 30 September, 2010 has been recognised in the consolidated income statement in 2010.

(i) The amounts recognised in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefit plan are determined as follows:

| | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Present value of funded defined benefit obligations | **206** | 178 | 224 |
| Fair value of plan assets | **(704)** | (692) | (677) |
| Present value of defined benefit obligations | **(498)** | (514) | (453) |
| Unrecognised actuarial gains | **772** | 853 | 860 |
| Liability in the consolidated statement of financial position | **274** | 339 | 407 |

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

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Interest cost | **4** | 7 |
| Expected return on plan assets | **(14)** | (18) |
| Net actuarial gain | **(55)** | (57) |
| Total gain recognised in the consolidated income statement (note 14) | **(65)** | (68) |

## 32. PENSION OBLIGATIONS (Continued)

### (b) Defined Benefit Plan (Continued)

(iii) The movements in the liability recognised in the consolidated statement of financial position:

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| At the beginning of the year | **339** | 407 | 473 |
| Total gain included in staff costs (note 14) | **(65)** | (68) | (66) |
| At the end of the year | **274** | 339 | 407 |

(iv) The principal actuarial assumptions used are as follows:

| | 2010<br>% | 2009<br>% | 2008<br>% |
|---|---|---|---|
| Discount rate | **1.80** | 2.50 | 3.25 |
| Expected rate of return on plan assets | **1.80** | 2.00 | 2.75 |
| Expected rate of future salary increase | **2.25** | 2.50 | 2.50 |

(v) The actuarial valuation shows that the market value of plan assets was HK$704,000 (2009: HK$692,000).

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

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| At the beginning of the year | **178** | 224 |
| Interest cost | **4** | 7 |
| Actuarial loss (gain) | **24** | (53) |
| At the end of the year | **206** | 178 |

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

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| At the beginning of the year | **692** | 677 |
| Expected return on plan assets | **14** | 18 |
| Actuarial loss | **(2)** | (3) |
| At the end of the year | **704** | 692 |

## 32. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

(vii) The major categories of plan assets, and the percentage of the fair value at the end of the reporting period for each category are as follows:

| | 2010<br>% | 2009<br>% | 2008<br>% |
|---|---|---|---|
| Deposits with financial institutions | **34.14** | 42.53 | 32.31 |
| Short term bills | **8.33** | 5.58 | 11.18 |
| Stocks | **7.92** | 9.62 | 11.49 |
| Bonds | **10.08** | 11.77 | 11.32 |
| Others | **39.53** | 30.50 | 33.70 |
| | **100.00** | 100.00 | 100.00 |

## 33. 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 | Intangible assets HK$'000 | Fair value gain HK$'000 | Convertible bond HK$'000 | Undistributable profit of subsidiaries HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1st October, 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) |
| Acquisition of subsidiaries (note 35) | – | – | (9,718) | – | – | – | (9,718) |
| (Charged) credited to the consolidated income statement | (42) | 6,317 | – | (7,320) | 333 | (1,934) | (2,646) |
| Charged to equity | – | – | – | – | (263) | – | (263) |
| At 30th September, 2010 | 870 | 11,434 | (9,718) | (9,640) | 70 | (7,194) | (14,178) |

## 33. DEFERRED TAXATION (Continued)

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

| | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Deferred tax assets | **11,126** | 5,291 | 4,418 |
| Deferred tax liabilities | **(25,304)** | (6,842) | (980) |
| | **(14,178)** | (1,551) | 3,438 |

At the end of the reporting period, the Group had unused tax losses of approximately HK$107,477,000 (2009: 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$55,485,000 (2009: 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$51,992,000 (2009: HK$37,164,000, 2008: HK$52,273,000) due to the unpredictability of future profit streams.

## 34. CONVERTIBLE BOND

On 4th May, 2010, the Company issued a 5% unsecured convertible bond with a principal sum of HK$39 million to an independent subscriber pursuant to the Subscription Agreement set out in note 30. The convertible bond entitles the holder to convert in whole or in part of the principal amount into ordinary shares of the Company at any time prior to seven business days preceding the maturity date on 3rd May, 2013, at a conversion price of HK$2.21 per share, subject to anti-dilutive adjustments.

Upon the occurrence of certain conditions relating to the price and trading volume of the Company's shares, the convertible bond will be mandatorily converted, in part or in whole depending on the date of occurrence of such conditions, into ordinary shares of the Company at the conversion price of HK$2.21 per share, subject to anti-dilutive adjustments.

Also upon the occurrence of certain events involving reorganisation of the Group including a change in control, the bondholder has the option to demand immediate redemption before maturity at a price that shall provide the bondholder with an internal rate of return of 12% per annum on the principal amount.

Unless previously converted or purchased or redeemed, the convertible bond will be redeemed upon maturity at a price that shall provide the bondholder with an internal rate of return of 12% per annum on the principal amount.

The convertible bond contains two components, liability and equity elements amounting to HK$37,390,000 and HK$1,610,000 respectively. The effective interest rate of the liability component of the convertible bond is 13.68% per annum.

The movement of the liability component of the convertible bond for the year is set out below:

| | HK$'000 |
|---|---|
| At 1st October, 2008 and 30th September, 2009 | – |
| Issued during the year | 37,390 |
| Interest charge (note 9) | 2,019 |
| At 30th September, 2010 | 39,409 |

## 35. ACQUISITION OF SUBSIDIARIES

On 28th May, 2010, the Group acquired the Glycel business at a cash consideration of HK$26,495,000. Glycel is principally engaged in retail sales of skin-care products in Hong Kong and was acquired with the objective of further brand diversification.

Acquisition-related costs amounting to HK$1,021,000 have been excluded from the cost of acquisition and have been recognised as part of the other expenses in the consolidated income statement.

**Assets and liabilities recognised at the date of acquisition**

| | HK$'000 |
|---|---|
| *Non-current assets* | |
| Property, plant and equipment | 3,930 |
| Trademarks | 58,896 |
| | 62,826 |
| *Current assets* | |
| Inventories | 2,032 |
| Prepayments | 10 |
| Other deposits and receivables | 7 |
| Bank balances and cash | 391 |
| | 2,440 |
| *Current liabilities* | |
| Accruals and other payables | 332 |
| Receipts in advance | 31,342 |
| | 31,674 |
| *Non-current liability* | |
| Deferred tax liability | 9,718 |
| | 23,874 |

**Goodwill arising on acquisition**

| | HK$'000 |
|---|---|
| Consideration transferred | 26,886 |
| Less: fair value of identifiable net assets acquired | (23,874) |
| | 3,012 |

None of the goodwill on this acquisition is expected to be deductible for tax purposes.

**Net cash outflow arising on acquisition**

| | HK$'000 |
|---|---|
| Consideration paid in cash | 26,886 |
| Less: bank balances and cash acquired | (391) |
| | 26,495 |

## 36. PLEDGE OF ASSETS

As at 30th September, 2010 and 2009, the carrying value of the Group's assets which were pledged to secure banking facilities granted to the Group were as follows:

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Property | – | 5,794 |
| Prepaid lease payments | – | 75,452 |
| Investment property | 120,000 | – |
| | 120,000 | 81,246 |

## 37. COMMITMENTS AND ARRANGEMENTS

### (a) Capital Commitments

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | 5,099 | 1,045 |

## 37. COMMITMENTS AND ARRANGEMENTS (Continued)

(b) Commitments and Arrangements under Operating Leases

At 30th September, 2010 and 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 lessors**<br>**Rental receipts** | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Not later than 1 year | **1,194** | 1,381 |
| More than 1 year and not later than 5 years | **788** | 408 |
| | **1,982** | 1,789 |

There was no contingent lease arrangement.

| **As lessees**<br>**Rental payments** | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Not later than 1 year | **88,897** | 62,819 |
| More than 1 year and not later than 5 years | **130,618** | 52,191 |
| More than 5 years | **1,849** | – |
| | **221,364** | 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.

## 38. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 30th September, 2010 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 |

## 38. 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 and products 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 |

## 38. 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 |
| 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 |

## 38. 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) | | | | |
| 上海奧薇化妝品商貿有限公司 | PRC 22nd April, 2009 | US$1,400,000 | 75% | Retail sales of cosmetic products in Mainland China |
| Water Oasis Shanghai Holdings Limited* (formerly known as Decade Best Limited) | Hong Kong 9th September, 2009 | Ordinary share HK$1 | 90.1% | Inactive |
| Glycel Holdings Company Limited* (formerly known as Forward Success Holdings Limited) | British Virgin Islands 20th April, 2010 | Ordinary share US$1 | 100% | Investment holding in Hong Kong |
| Progress Success Limited* | British Virgin Islands 16th March, 2010 | Ordinary share US$1 | 100% | Investment holding in Hong Kong |
| Laboratoire Glycel Societe Anonyme* | Liechtenstein 10th September, 1997 | Normal shares CHF50,000 | 100% | Holding of trademark |
| Glycel Laboratoire SA* | Switzerland 18th November, 2005 | Normal shares CHF100,000 | 100% | Holding of trademarks |
| Glycel Company Limited* (formerly known as Vibrant Success Limited) | Hong Kong 19th February, 2010 | Ordinary shares HK$1,000,000 | 100% | Retail sales of skin-care products and operating of beauty salons in Hong Kong |

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

* These subsidiaries were newly incorporated/acquired during the year end 30th September, 2010.

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

## 39. RELATED PARTY TRANSACTION

Key management personnel compensation

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Basic salaries and housing allowances | **10,900** | 10,905 |
| Bonuses | **6,400** | 5,680 |
| Retirement benefit costs | **60** | 60 |
| | **17,360** | 16,645 |

# Five-Year Financial Summary

| | Year ended 30th September, | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **RESULTS** | | | | | |
| Turnover | **911,878** | 920,955 | 846,569 | 593,358 | 484,018 |
| Profit before taxation | **71,275** | 101,160 | 100,291 | 52,743 | 13,599 |
| Taxation | **(13,881)** | (17,729) | (22,123) | (10,176) | 733 |
| Profit for the year | **57,394** | 83,431 | 78,168 | 42,567 | 14,332 |
| Profit for the year attributable to: | | | | | |
| Owners of the Company | **59,181** | 80,991 | 71,237 | 40,723 | 13,600 |
| Non-controlling interests | **(1,787)** | 2,440 | 6,931 | 1,844 | 732 |
| | **57,394** | 83,431 | 78,168 | 42,567 | 14,332 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | |
| Total assets | **730,204** | 538,115 | 521,770 | 400,022 | 329,527 |
| Total liabilities | **(480,823)** | (341,525) | (332,394) | (230,244) | (177,275) |
| | **249,381** | 196,590 | 189,376 | 169,778 | 152,252 |
| Equity attributable to owners of the Company | **237,276** | 183,660 | 180,661 | 167,181 | 151,405 |
| Non-controlling interests | **12,105** | 12,930 | 8,715 | 2,597 | 847 |
| | **249,381** | 196,590 | 189,376 | 169,778 | 152,252 |

# 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, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.
Wong Chi Keung

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## INVESTMENT ADVISORY COMMITTEE

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

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mo Yuen Yee, FCCA, FCPA

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISOR

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

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

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18th Floor, World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

## STOCK CODE

1161

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