11 annual report 年報

Water Oasis Group Limited
奧思集團有限公司

Stock Code 股份代號：1161

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Corporate Profile

Since its founding in 1998, Water Oasis Group (the "Group") has developed rapidly to become one of the leading skin-care and beauty groups in the market. The Group has exclusive distributorship rights for the renowned "~H_2O+" brand skin-care products in Hong Kong, Macau, Taiwan, Singapore and 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. 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 strived to diversify its beauty businesses over the years, operating spa and beauty services businesses under the "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "Oasis Homme", "Oasis Medical Centre" and "Glycel" 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, 2011, there is a total of 307 retail outlets comprising 17 in Hong Kong, 1 in Macau, 274 in Mainland China (consisting of 134 self-managed and 140 franchised outlets), 14 in Taiwan and 1 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, 2011, there were 3 retail outlets and 4 beauty centres operating in Hong Kong.

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 4 retail outlets in Hong Kong as at 30th September, 2011.

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. The brand was also introduced to Hong Kong in June 2011, with the first counter opened in Tsim Sha Tsui. As at 30th September, 2011, there is a total of 15 retail outlets comprising 1 in Hong Kong and 14 in Mainland China (2 self-managed and 12 franchised outlets).

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 located at Causeway Bay, Central and Tsim Sha Tsui, providing beauty and slimming treatments, hydro-bath and massage services, accompanying with the use of a full range of ~H_2O+, Glycel and Erno Laszlo products. 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 have provided a new impetus 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, 2011, the Group also operates 1 Oasis Beauty centre in Beijing, Mainland China.

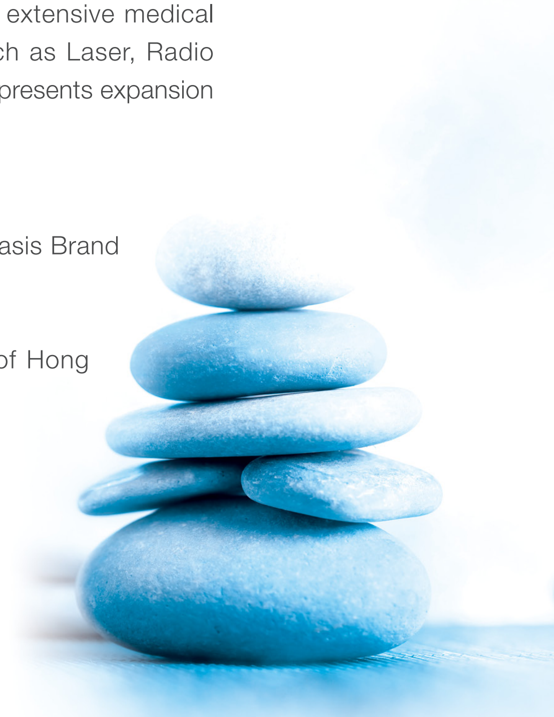
Medical Beauty

To provide a more 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 will open its fourth Oasis Medical Centre in Shatin by December 2011. Manned by professional registered doctor and experienced professional therapists who have extensive medical beauty experiences. These centres offer specialised medical beauty treatments such as Laser, Radio Frequency as well as Botox®, Restylane® and Sculptra® injections. 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 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

Last year, I talked about the Group's progress in moving from its original role as a brand distributor into the more diversified and flexible position we are now adopting as a brand owner and multi-brand distributor. In looking back over what we have accomplished in the 2010/11 financial year, I am pleased to say we have made significant and successful progress in the transition. We have managed to consolidate the brands under our management, weeding out underperformers and quickly exploiting the potential of our new and recent acquisitions. We have launched both newly acquired and self-developed brands such as Glycel and JM Makeup in Hong Kong and, having settled them in this market, we are developing a comprehensive "roadmap" for future growth in the PRC market.

Meanwhile, our beauty business has continued to perform well, with steady results from our well-established Hong Kong market and signs in the PRC that the time is ripe to expand our beauty operations there. In preparation for this, we have recently been active in recruiting new management and sales personnel for our China operations; we now have a strong line-up of new talent ready to take our China businesses forward and give real drive to our plans for franchising our China beauty operations. Given the historically strong profitability of this aspect of our business, I am confident that the expansion of our beauty business will generate strong cash flows for the Group in the medium term.

Within our industry, there is some talk of a difficult year lying ahead due to global economic conditions. It may therefore seem surprising for me to say that I believe the coming year holds more opportunities for our Group than ever. The fact is, however, that downturns always produce positives for a Group like ours: they squeeze out inefficient competition, for example, and bring down the costs of doing business by reducing rental costs. Besides, we have in-depth knowledge of the PRC markets, learned over several years, along with established networks and plenty of experience, so we are very well positioned to capture the opportunities that continue to arise in the PRC market. Our financial position is excellent, with good cash reserves and no major loans. Given all this, then, I believe the Water Oasis Group can look ahead to the coming year with considerable confidence.

Yu Lai Si
Executive Director and Chief Executive Officer
16th December, 2011

Management Discussion and Analysis

For the year ended 30th September, 2011, the Group experienced an increase in overall turnover of 8.1% compared with the previous year's turnover, while profit attributable to owners of the Company rose by 27.3%, as against a fall in profit of last year. Both gross profit margin and net profit margin improved for the year. As was the case last year the Group had to absorb some non-cash accounting costs, amounting to around HK$20.4 million. These included costs relating to its share options and convertible bond. However, despite these costs, the Group still managed to achieve higher profit for the year than last year due to steady performance across most areas of the Group's businesses. Both gross and net profit margins rose for the year, as a result of the rigorous application of various cost control measures, together with decreased advertising expenses. Basic earnings per share for the year were 11.1 HK cents (2010: 8.9 HK cents as restated).

The Group maintained a healthy financial position throughout the year. The Group's cash on hand as at 30th September, 2011 amounted to HK$325.0 million. The Group has consistently managed to generate significant positive cash flows from operations, and there is no short term need for major cash outlay. Current ratio and debt-equity ratio are 1.1 times and 24.9% respectively.

The role of the Group's top management in achieving these good results was recognised externally when, in November 2011, our Group's Chief Executive Officer, Ms. Yu Lai Si had been honoured by the American Chamber of Commerce's Women of Influence Awards 2011 as "Entrepreneur of the Year". This prestigious award highlights powerful women who have made a major mark in the Hong Kong business field; this year's result is therefore an especially gratifying one for shareholders of the Water Oasis Group.

Business Review

I. BRAND OWNERSHIP AND DISTRIBUTION

Glycel

The Group acquired the Glycel brand in May 2010, so the results for the financial year 2010/11 mark the first full-year assessment of its success. As previously announced, the Glycel brand took off very quickly following its initial takeover by the Group; at the end of a full year of results, Glycel has emerged as a significant growth engine for the Group. Sales from Glycel contributed from both its retail and beauty services have increased significantly by around 140.4%, and the brand's contribution to the Group's total turnover has been increasing. Although its contribution remains relatively small at the moment, management is confident that once Glycel products achieve a "critical mass" of sales, the brand will contribute meaningfully both to the Group's top line and bottom line.

Given the success of Glycel to date, plans are in the pipeline to introduce the brand to the PRC market. Currently, the product registration process for Glycel is at the final stages and the Group is hoping to launch Glycel in Mainland China in the second half of 2012. As at 30th September, 2011, the Group was selling its products through 7 Glycel outlets in Hong Kong.

~H_2O+

The Group's longstanding ~H_2O+ business remains stable and continued to deliver satisfactory results in the year under review. It continued to be a main contributor to our Group's turnover. To better control costs, the Group has relocated some of its stand-alone shops to nearby malls with high traffic. While successfully reducing rental expenses, this move has not affected sales. With its ~H_2O+ business now fully mature, the Group's strategy is to maximise its profitability and then invest profits from ~H_2O+ into other business sectors with potential for high growth.

Other brands

Erno Laszlo, the distributorship right of the high-end skin-care brand acquired by the Group in June 2009, continued to consolidate its popularity in Hong Kong over the year. Steady expansion has been the order of the day once the brand was established; after the reporting period, the Group opened a counter in the upmarket Harvey Nichols department store in Pacific Place, Admiralty, and plans shortly to open another one in the Harvey Nichols The Landmark located in Central. In addition, we shall open a new standalone shop in Hysan Place, a prestigious shopping centre in Causeway Bay. As a result, the brand managed to achieve a small profit for the year, a good sign for future development. The Group continues with plans to launch Erno Laszlo in Mainland China which products registration process is now underway.

The Group's JM Makeup brand remains in the early establishment stage. The Group launched its first counter in LCX, in Harbour City in Tsim Sha Tsui, in June 2011. Given the influence of Hong Kong trends on China, management is optimistic that a good Hong Kong response to this brand will help drive further sales and expansion in China. The Group is therefore monitoring its progress closely, with the aim of strenghtening the image of JM Makeup to the China mass youth market in due course.

II. SPA AND BEAUTY BUSINESS

The Group's Spa and Beauty operations, which have long been important profit contributors for the Group, continued to perform well during the year, with the three Oasis Medical Centres putting in particularly strong performances. The new Oasis Medical Centre in Tsim Sha Tsui, equipped with new machinery and new treatments, helped maintain good profitability from this section of the Group's activities. At the same time, the performances of our beauty salons under the brand names of Oasis Beauty and Glycel were also good, contributing positively to our Group's results.

PROSPECTS

Although many analysts are predicting headwinds for the global economy in the coming year, management remains cautiously optimistic about prospects for the Group in 2012. The Group's China focus means it is much less subject to the fluctuations of the global economy than some of its competitors that are more reliant on the US and European markets. Even in China, the Group's nationwide network allows it to be less dependent than others on the sometimes volatile first- and second-tier cities. Among other things, the Group is continuing to benefit from its deep understanding of and familiarity with the China market, and the good relationships it has built along different channels. These benefits mean it is well placed to grasp the opportunities lying ahead.

China

To date, the Group has done very well in China. Management believes, however, that more could be achieved, and acting on this belief, during the year the Group actively pursued and recruited new and talented personnel in a move to overhaul its China operations and inject fresh talent and dynamism into its operations there. The new personnel will be tasked with expanding the Group's China beauty operations on a franchise basis, and boosting product sales of various brands. The Group has operated two beauty centres in Beijing for some years now, and has learned a great deal in that time about the styles and preferences of Mainland customers. Leveraging this insider knowledge, and drawing on its successful experience with the franchise model for its skin-care brands, the Group is now ready to expand its beauty operations in Mainland China via franchising.

The Group's Erno Laszlo brand and JM Makeup brand are each gradually establishing themselves and the Group is currently looking to maximise their exposure and expand their distribution range in China. It is hoped to launch the Glycel brand in China in the second half of the coming year, while at the same time assisting JM Makeup to further penetrate the China mass market.

Hong Kong

In Hong Kong, meanwhile, the Group plans to continue with moderate expansion to meet market demand. This will involve opening another Oasis Medical Centre, another Oasis Beauty centre, and one or two more counters or shops for the Erno Laszlo brand. To maintain the strong momentum achieved in sales of Glycel, the Group will devote more resources to advertising the brand in the coming year.

Merger and Acquisition Opportunities

With good cash reserves, an absence of large loans, and effective cost-control measures in place across its operations, the Group enjoys a very healthy financial situation. From this position of strength, the Group will continue its prudent policy of expansion, constantly keeping an eye open for possible business opportunities that could profitably expand its brand portfolio.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Ms. YU Lai Si, aged 50, 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, sister-in-law of Mr. Tam Chie Sang and Ms. Lai Yin Ping and is the aunt of Mr. Tam Siu Kei, Alan, Operations Director of the Group.

Mr. TAM Chie Sang, aged 59, 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, brother-in-law of Ms. Yu Lai Si, Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping and is the father of Mr. Tam Siu Kei, Alan.

Ms. YU Lai Chu, Eileen, aged 59, 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, the wife of Mr. Tam Chie Sang, sister-in-law of Ms. Lai Yin Ping and is the mother of Mr. Tam Siu Kei, Alan.

Mr. YU Kam Shui, Erastus, aged 61, 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, Ms. Lai Yin Ping's husband, brother-in-law of Mr. Tam Chie Sang and uncle of Mr. Tam Siu Kei, Alan.

Ms. LAI Yin Ping, aged 56, 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, sister-in-law of Ms. Yu Lai Si, Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen and is the aunt of Mr. Tam Siu Kei, Alan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Lung Tak, Patrick, B.B.S., J.P., aged 63, is an independent non-executive director. Dr. Wong is a Practising Certified Public Accountant. He is the managing practicing director of Wong Lam Leung & Kwok CPA Limited, Patrick Wong CPA Limited and Hong Kong Pengcheng CPA Limited and has over 30 years experience 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. 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, Real Nutriceutical Group Limited (formerly known as "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". Dr. Wong has been appointed as an independent non-executive director of Winox Holdings Limited in June, 2011, the shares of which are listed on the Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, **Duffy**, J.P., aged 58, 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 56, 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. He is a fellow of both The Hong Kong Institute of Directors and 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 45, 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. AU YEUNG Ka Yee, Karen, aged 39, is the PR & Corporate Communications Director of the Group and is responsible for overseeing the Group's PR functions at both corporate and consumer levels as well as customer services functions. Ms. Au Yeung has over 15 years of corporate and marketing communications experiences spanning a wide range of business and industries. Prior to joining the Group in 2005, Ms. Au Yeung was the Associate Director of a famous PR agency, where she handled major accounts including global skin-care brands, retail brands, fast moving consumer goods and listed companies. Ms. Au Yeung obtained her Bachelor of Social Science (Hons.) degree in Communications majoring in Public Relations and Advertising from Hong Kong Baptist University.

Ms. CHIEN I-Chi, Vicky, aged 44, is the General Manager of the Group's operation in Taiwan. Ms. Chien holds a Master Degree in Business Administration 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 38, 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 43, 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. TAM Siu Kei, Alan, aged 34, is the Operations Director of the Group. Joining the Group in 1999, Mr. Tam is currently in charge of retail and beauty services operations in Hong Kong, Macau, PRC, Taiwan and Singapore. 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 and the nephew of Ms. Yu Lai Si, Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping, all are directors of the Company.

Corporate Governance Report

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 30th September, 2011.

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, 2011.

CODE PROVISION A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") 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 CEO of the Group, has been carrying out the duties of both the Chairman and CEO since the establishment of the Group and the Company. The CEO 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.

The Board met six times during the year ended 30th September, 2011.

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, 2011 is set out in the table below:

	Meetings attended/held					
Directors	Full Board	Executive Board*	Audit Committee	Remuneration Committee	Investment Advisory Committee	AGM
Executive Directors						
YU Lai Si	2/2	4/4			1/1	1/1
TAM Chie Sang	2/2	4/4				0/1
YU Lai Chu, Eileen	1/2	4/4				0/1
YU Kam Shui, Erastus	2/2	4/4				1/1
LAI Yin Ping	2/2	4/4				1/1
Independent Non-executive Directors						
WONG Lung Tak, Patrick, B.B.S., J.P.	2/2		2/2	1/1	1/1	1/1
WONG Chun Nam, Duffy, J.P.	1/2		2/2	1/1	1/1	1/1
WONG Chi Keung	2/2		2/2	1/1	1/1	0/1

* 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, 2011, two meetings were held by the Audit Committee. At the meetings, it reviewed the annual results for 2010 and the interim results for 2011 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 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, 2011, 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 CEO 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, 2011, 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:

	2011 HK$'000
Statutory audit	**1,601**
Non-audit services	**805**
Total	**2,406**

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 2011 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 28 to 29.

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, 2011. 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, 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries engage in the distribution of ~H_2O+ brand skin-care products in Hong Kong, Macau, Taiwan, Mainland China and Singapore and the distribution of Erno Laszlo brand skin-care products in Hong Kong. In addition, some of its principal subsidiaries own and engage in the distribution of Glycel brand skin-care products in Hong Kong and JM Makeup brand cosmetic products in Hong Kong and Mainland China. Certain of its principal subsidiaries also engage in the operation of spa and beauty centres in Hong Kong under the brand names "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "Oasis Homme", "Oasis Medical Centre" and "Glycel", 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, 2011 are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2011 are set out in the consolidated income statement on page 30.

The directors have recommended a final dividend of 8.0 HK cents per share for the year ended 30th September, 2011 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 2nd March, 2012. Subject to the passing of the relevant resolution at the forthcoming AGM of the Company, the final dividend will be payable on 14th March, 2012.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2011 are set out in note 28 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 34.

INVESTMENT PROPERTIES

The value of the investment properties as at 30th September, 2011 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.

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 91.

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 and the Code Provisions, Yu Lai Si, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping will 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, 2011, 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 (the "SFO") (Chapter 571)), 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	167,683,760 ordinary	–	–	–	167,683,760 ordinary	21.9%
	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, 2011, save as disclosed therein, none of the directors, chief executives or any of their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements. As at 30th September, 2011, there were no outstanding share options available to subscribe for shares under the Share Option Scheme as share 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, 2011, 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 is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2011, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 90.4% of the Group's total purchase. Whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.0% of the Group's total turnover.

DISTRIBUTABLE RESERVES

As at 30th September, 2011, the distributable reserves of the Company amounted to approximately HK$70.1 million (2010: HK$40.5 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, 2011 amounted to approximately HK$325.0 million (2010: HK$217.5 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$321.0 million (2010: HK$259.0 million as restated), is approximately 24.9% (2010: 30.5% as restated).

The Group continues to follow the practice of prudent cash management. The Group has acceptable level of exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territories. 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, 2011, the Group employed 1,498 staff (2010: 1,638). 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 year, 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, 2011 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

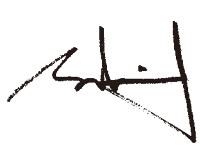
The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung who are the independent non-executive directors of the Company.

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, 2011 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, 16th December, 2011

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 30 to 90, which comprise the consolidated statement of financial position as at 30th September, 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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, 2011 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, 16th December, 2011

Consolidated Income Statement

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2011 HK$'000	2010 HK$'000 *(restated)*
Turnover	7	**985,339**	911,878
Purchases and changes in inventories of finished goods		**(201,309)**	(217,402)
Other income		**6,553**	3,178
Other gains or losses	8	**33,003**	44,088
Staff costs	14	**(288,135)**	(255,142)
Depreciation of property, plant and equipment		**(25,395)**	(27,329)
Finance costs	9	**(6,053)**	(2,901)
Other expenses		**(388,320)**	(385,095)
Profit before taxation		**115,683**	71,275
Taxation	10	**(34,509)**	(6,561)
Profit for the year	11	**81,174**	64,714
Profit for the year attributable to:			
Owners of the Company		**84,648**	66,501
Non-controlling interests		**(3,474)**	(1,787)
		81,174	64,714
Earnings per share			
Basic	12	**11.1 HK cents**	8.9 HK cents
Diluted	12	**11.1 HK cents**	8.7 HK cents

Consolidated Statement of Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2011	2010
	HK$'000	HK$'000
		(restated)
Profit for the year	**81,174**	64,714
Other comprehensive income:		
Exchange difference arising on translation and other comprehensive income for the year	**9,942**	83
Total comprehensive income for the year	**91,116**	64,797
Total comprehensive income for the year attributable to:		
Owners of the Company	**93,687**	66,584
Non-controlling interests	**(2,571)**	(1,787)
	91,116	64,797

Consolidated Statement of Financial Position

	Notes	AS AT 30TH SEPTEMBER, 2011 HK$'000	2010 HK$'000 (restated)	AS AT 1ST OCTOBER, 2009 HK$'000 (restated)
Non-current assets				
Intangible assets	16	**59,250**	59,553	1,044
Goodwill	17	**3,978**	3,978	966
Investment properties	18	**189,560**	163,220	37,700
Property, plant and equipment	19	**44,248**	44,033	116,247
Rental deposits	20	**27,638**	28,048	18,984
Deferred tax assets	31	**6,637**	13,005	6,551
		331,311	311,837	181,492
Current assets				
Inventories	21	**69,969**	71,472	99,767
Trade receivables	22	**65,360**	77,880	72,031
Prepayments		**37,719**	33,735	24,511
Other deposits and receivables		**32,242**	19,518	15,527
Tax recoverable		**–**	105	253
Bank balances and cash	23	**324,982**	217,536	145,794
		530,272	420,246	357,883
Current liabilities				
Trade payables	24	**19,561**	11,231	21,547
Accruals and other payables		**145,819**	121,106	91,770
Amount due to a non-controlling shareholder of subsidiaries	25	**–**	6,989	–
Receipts in advance	26	**251,812**	224,648	166,831
Secured mortgage loan	27	**37,125**	39,588	42,220
Tax payable		**22,198**	12,274	11,976
		476,515	415,836	334,344
Net current assets		**53,757**	4,410	23,539
Total assets less current liabilities		**385,068**	316,247	205,031

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2011 HK$'000	2010 HK$'000 (restated)	AS AT 1ST OCTOBER, 2009 HK$'000 (restated)
Capital and reserves				
Share capital	28	**76,395**	76,395	36,956
Reserves		**228,286**	170,521	149,024
Equity attributable to owners of the Company		**304,681**	246,916	185,980
Non-controlling interests		**16,336**	12,105	12,930
Total equity		**321,017**	259,021	198,910
Non-current liabilities				
Pension obligations	30	**225**	274	339
Deferred tax liabilities	31	**21,138**	17,543	5,782
Convertible bond	32	**42,688**	39,409	–
		64,051	57,226	6,121
		385,068	316,247	205,031

The consolidated financial statements on pages 30 to 90 were approved and authorised for issue by the Board of Directors on 16th December, 2011 and are signed on its behalf by:

TAM Chie Sang
Executive Director

YU Lai Si
Executive Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company											
	Notes	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve HK$'000	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, 2009		36,956	39,318	12,986	(1,766)	450	1,797	–	–	93,919	183,660	12,930	196,590
Effect of changes in accounting policy	2	–	–	–	–	–	–	–	–	2,320	2,320	–	2,320
At 1st October, 2009 *(restated)*		36,956	39,318	12,986	(1,766)	450	1,797	–	–	96,239	185,980	12,930	198,910
Profit for the year		–	–	–	–	–	–	–	–	66,501	66,501	(1,787)	64,714
Other comprehensive income for the year		–	–	83	–	–	–	–	–	–	83	–	83
Total comprehensive income for the year		–	–	83	–	–	–	–	–	66,501	66,584	(1,787)	64,797
Bonus issue of shares	28	36,956	(36,956)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon subscription	28	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 *(restated)*		76,395	38,879	13,069	(1,766)	450	1,797	13,880	1,347	102,865	246,916	12,105	259,021
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**84,648**	**84,648**	**(3,474)**	**81,174**
Other comprehensive income for the year		**–**	**–**	**9,039**	**–**	**–**	**–**	**–**	**–**	**–**	**9,039**	**903**	**9,942**
Total comprehensive income for the year		**–**	**–**	**9,039**	**–**	**–**	**–**	**–**	**–**	**84,648**	**93,687**	**(2,571)**	**91,116**
2010 final dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,558)**	**(30,558)**	**–**	**(30,558)**
2011 interim dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,919)**	**(22,919)**	**–**	**(22,919)**
Recognition of equity-settled share-based payment expenses		**–**	**–**	**–**	**–**	**–**	**–**	**17,653**	**–**	**–**	**17,653**	**–**	**17,653**
Deemed contribution from a non-controlling shareholder of subsidiaries	25	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,989**	**6,989**
Acquisition of additional equity interest in subsidiaries *(Note)*		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(98)**	**(98)**	**(187)**	**(285)**
		–	**–**	**–**	**–**	**–**	**–**	**17,653**	**–**	**(53,575)**	**(35,922)**	**6,802**	**(29,120)**
At 30th September, 2011		**76,395**	**38,879**	**22,108**	**(1,766)**	**450**	**1,797**	**31,533**	**1,347**	**133,938**	**304,681**	**16,336**	**321,017**

Note: During the year, the Group acquired additional equity interest in certain subsidiaries from a non-controlling shareholder. The difference of HK$98,000 between the carrying amount of net assets attributable to the additional interest acquired after waiver of advance from both shareholders as set out in note 25 at the date of acquisition and the fair value of consideration paid by the Company of approximately HK$285,000 for this acquisition was debited to retained profits.

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,	
	2011 HK$'000	2010 HK$'000 *(restated)*
Operating activities		
Profit before taxation	**115,683**	71,275
Adjustments for:		
Amortisation of intangible assets	**391**	420
Depreciation of property, plant and equipment	**25,395**	27,329
Deficit arising on revaluation of property, plant and equipment upon transfer to investment property	**–**	6,157
Gain on fair value change of investment properties	**(32,090)**	(50,520)
Interest expenses on secured mortgage loan	**824**	882
Effective interest expenses on convertible bond	**5,229**	2,019
Interest income on bank deposits	**(1,106)**	(895)
Loss (gain) on disposal/write-off of property, plant and equipment	**20**	(72)
Equity-settled share-based payment expenses	**17,653**	13,880
Operating cash flows before movements in working capital	**131,999**	70,475
Decrease in inventories	**3,877**	30,327
Decrease (increase) in trade receivables	**14,754**	(5,849)
Increase in rental deposits, prepayments, other deposits and receivables	**(14,748)**	(22,262)
Increase (decrease) in trade payables	**7,407**	(10,316)
Increase in accruals and other payables	**20,322**	28,113
Increase in receipts in advance	**26,506**	26,475
Decrease in pension obligations	**(62)**	(65)
Cash generated from operations	**190,055**	116,898
Hong Kong Profits Tax paid	**(4,018)**	(4,429)
Overseas tax paid	**(11,533)**	(6,360)
Net cash from operating activities	**174,504**	106,109

Consolidated Statement of Cash Flows
(Continued)

FOR THE YEAR ENDED 30TH SEPTEMBER,

	Note	2011 HK$'000	2010 HK$'000 (restated)
Investing activities			
Purchase of property, plant and equipment		**(24,889)**	(32,349)
Capital expenditure on investment properties		**(2,050)**	–
Increase in intangible assets		**(88)**	(33)
Proceeds on disposal of investment properties		**7,800**	–
Interest received on bank deposits		**1,106**	895
Proceeds on disposal of property, plant and equipment		**38**	79
Acquisition of subsidiaries	33	**–**	(26,495)
Net cash used in investing activities		**(18,083)**	(57,903)
Financing activities			
Dividends paid		**(53,477)**	(59,875)
Repayment of secured mortgage loan		**(2,463)**	(2,632)
Interest paid on secured mortgage loan		**(755)**	(882)
Interest paid on convertible bond		**(1,950)**	–
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
Net cash (used in) from financing activities		**(58,645)**	23,453
Net increase in cash and cash equivalents		**97,776**	71,659
Cash and cash equivalents at beginning of the year		**217,536**	145,794
Effect of foreign exchange rate changes		**9,670**	83
Cash and cash equivalents at end of the year, represented by bank balances and cash		**324,982**	217,536

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 principally engage 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 standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[2]
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010

2 Amendments that are effective for annual periods beginning on or after 1st July, 2010

In addition, the Group has early adopted the amendments to HKAS 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property".

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st October, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of approximately HK$75,452,000 as at 1st October, 2009 being reclassified to property, plant and equipment. Subsequently, during the year ended 30th September, 2010, the respective leasehold land has been transferred to investment properties as evidenced by end of owner occupation as set out in note 18.

Amendments to HKAS 12 "Income Taxes"

Amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" have been applied in advance of their effective date (annual periods beginning on or after 1st January, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sales for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sales for the purpose of measuring deferred taxes in respect of such properties. This resulted in a decrease in deferred taxation by approximately HK$2,320,000 and HK$9,640,000 as at 1st October, 2009 and 30th September, 2010 respectively, with the corresponding adjustment being recognised in retained profits brought forward.

In the current year, no deferred tax has been provided for in respect of changes in fair value of these investment properties, whereas previously deferred taxation were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in a decrease in taxation for the year ended 30th September, 2011 by approximately HK$5,295,000 and an increase in profit for the year by the same amount.

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

Summary of the effects of the above changes in accounting policies

(a) The effect of the above changes in accounting policies on the results for the current and prior year by line items are as follows:

	2011 HK$'000	2010 HK$'000
Decrease in taxation and increase in profit for the year	**5,295**	7,320
Increase in profit for the year attributable to owners of the Company	**5,295**	7,320

(b) The effect of the above changes in accounting policies on the consolidated statement of financial position of the Group as at 1st October, 2009 and 30th September, 2010 are as follows:

	30th September, 2010			1st October, 2009		
	Originally stated HK$'000	Adjustments HK$'000	Restated HK$'000	Originally stated HK$'000	Adjustments HK$'000	Restated HK$'000
Property, plant and equipment	**44,033**	**–**	**44,033**	40,795	75,452	116,247
Prepaid lease payments	**–**	**–**	**–**	75,452	(75,452)	–
Deferred tax assets	**11,126**	**1,879**	**13,005**	5,291	1,260	6,551
Deferred tax liabilities	**(25,304)**	**7,761**	**(17,543)**	(6,842)	1,060	(5,782)
Retained profits	**(93,225)**	**(9,640)**	**(102,865)**	(93,919)	(2,320)	(96,239)

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

Summary of the effects of the above changes in accounting policies (Continued)

(c) The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic earnings per share

	2011 HK cents	2010 HK cents
Reported figures before adjustments	**10.4**	7.9
Adjustments arising from changes in accounting policies in respect of deferred tax for investment properties carried at fair value	**0.7**	1.0
Figures after adjustments as shown in the consolidated income statement	**11.1**	8.9

Impact on diluted earnings per share

	2011 HK cents	2010 HK cents
Reported figures before adjustments	**10.4**	7.7
Adjustments arising from changes in accounting policies in respect of deferred tax for investment properties carried at fair value	**0.7**	1.0
Figures after adjustments as shown in the consolidated income statement	**11.1**	8.7

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 and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[3]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[6]
HKAS 19 (Revised 2011)	Employee Benefits[5]
HKAS 24 (Revised 2009)	Related Party Disclosures[7]
HKAS 27 (Revised 2011)	Separate Financial Statements[5]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[5]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[5]

[3] Amendments that are effective for annual periods beginning on or after 1st January, 2011
[4] Effective for annual periods beginning on or after 1st July, 2011
[5] Effective for annual periods beginning on or after 1st January, 2013
[6] Effective for annual periods beginning on or after 1st July, 2012
[7] Effective for annual periods beginning on or after 1st January, 2011

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 disposed 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 subsidiaries are presented separately from the Group's equity therein.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combinations

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 identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date 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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; 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 net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognised for goodwill is recognised directly in the profit or loss in consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill 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 the 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 retranslation 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent to initial recognition, investment properties are measured at their fair values 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 and 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 period in which the item is derecognised.

Property, Plant and Equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets acquired separately

Expenditure on acquiring licenses for sales 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 other than goodwill below). Amortisation for such licenses is provided on a straight-line method over the license period.

Intangible assets acquired in a business combination

Trademarks acquired in a business combination are 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 other than goodwill 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 in the period when the asset is derecognised.

Impairment Losses on Tangible and Intangible Assets other than Goodwill

(For impairment loss on goodwill, please 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised in 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 are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as 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.

Interest income is recognised on an effective interest basis for debt instruments.

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 and cash) 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 are assessed for indicators of impairment at the end of the 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
- breach of contract, such as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

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.

Financial liabilities and equity instruments

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.

Convertible bond

Convertible bond issued by the Group that contains both the liability and conversion option components is 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Convertible bond (Continued)

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 reserve will be released to retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

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.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a non-controlling shareholder of subsidiaries and secured mortgage loan are, initially measured at fair value, subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulated gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated income statement.

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Taxation

Deferred taxation is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties are presumed to be recovered through sales. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales. If the presumption is rebutted, deferred tax liabilities for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, with a corresponding increase in equity (share options reserve) when the counterparties render services, unless the goods or services qualify for recognition as assets.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from the sales 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 sales 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.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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 lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense 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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical 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.

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 account of 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.

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, 2011 was approximately HK$28,148,000 (2010: HK$26,300,000). 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.

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

Key Source of Estimation Uncertainty (Continued)

(c) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 30th September, 2011 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

At the end of the reporting period, the Group had unused tax losses of approximately HK$102,724,000 (2010: HK$77,047,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$25,649,000 (2010: HK$55,485,000) of such losses. Determining whether deferred tax assets with carrying amounts of approximately HK$4,392,000 as at 30th September, 2011 (2010: HK$11,434,000) 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 evaluates the recoverability of deferred tax assets by way of profit forecast when necessary.

(e) Useful Lives of Intangible Assets

As at 30th September, 2011, the carrying amounts of the Group's intangible assets with definite and indefinite useful lives are approximately HK$354,000 (2010: HK$657,000) and HK$58,896,000 (2010: HK$58,896,000), 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 that entities in the Group 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 27 and 32 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.

5. CAPITAL RISK MANAGEMENT (Continued)

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

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**404,541**	305,450
Financial liabilities		
Amortised cost (including liability component of the convertible bond)	**150,905**	140,953

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, trade payables, other payables, secured mortgage loan, convertible bond and amount due to a non-controlling shareholder of subsidiaries. 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, 2011, 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 93% (2010: 95%) of the total trade receivables as at 30th September, 2011.

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:

	2011 **HK$'000**	2010 HK$'000
Assets		
United States Dollars ("US$")	**4,443**	10,903
Liabilities		
US$	**9,288**	5,899
Japanese Yen ("Yen")	**9,839**	2,246

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.

	2011 **HK$'000**	2010 HK$'000
HK$/RMB against Yen	**374**	89

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's exposure to changes in interest rates is mainly attributable to its bank balances and secured mortgage loan. Bank balances and secured mortgage loan at variable rates expose the Group to cash flow interest rate risk. Details of the Group's bank balances and secured mortgage loan are disclosed in notes 23 and 27 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 cash flow interest rate risk is mainly concentrated on the fluctuation of the bank's Best Lending Rate as set out in the note 27.

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 period:

	2011 HK$'000	2010 HK$'000
Financial assets	**180,903**	141,726
Financial liabilities	**37,125**	39,588

As the Group's financial assets that carried variable interest rates are mainly bank deposits and interest rate fluctuation on bank deposit is minimal, the cash flow interest rate risk from financial assets is considered to be insignificant. Accordingly, interest rate fluctuation on these assets is excluded from the sensitivity analysis.

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, 2011 would decrease by HK$155,000 (2010: HK$165,000) 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, 2011 HK$'000
2011								
Non-derivative financial liabilities								
Trade payables	–	18,475	1,086	–	–	–	19,561	19,561
Other payables	–	51,452	79	–	–	–	51,531	51,531
Secured mortgage loan	2.15	37,125	–	–	–	–	37,125	37,125
Convertible bond	13.68	–	983	967	49,971	–	51,921	42,688
		107,052	2,148	967	49,971	–	160,138	150,905

	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

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 also considers the expected cash flow of the Group's secured mortgage loan 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								
2011	2.15	293	585	2,635	14,052	24,591	42,156	37,125
2010	2.15	293	585	2,635	14,052	27,809	45,374	39,588

(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's operating segments, based on information reported to the chief operating decision maker, i.e. the Group's Executive Directors for the purposes of allocating resources to segments and assessing their performance are as follows:

(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

Turnover recognised during the year are as follows:

	2011 HK$'000	2010 HK$'000
Turnover		
Retail segment	**590,993**	613,484
Services segment	**394,346**	298,394
	985,339	911,878

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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Sales to external customers	590,993	613,484	394,346	298,394	–	–	985,339	911,878
Inter-segment sales	23,069	26,806	–	–	(23,069)	(26,806)	–	–
Total	614,062	640,290	394,346	298,394	(23,069)	(26,806)	985,339	911,878
Segment results	52,343	42,173	112,769	59,408	–	–	165,112	101,581
Other income							6,553	3,178
Other gains or losses							33,003	44,088
Finance costs							(6,053)	(2,901)
Central administrative costs							(82,932)	(74,671)
Profit before taxation							115,683	71,275

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 (including 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.

Inter-segment sales are charged at prevailing market rates at terms determined.

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

	Retail segment		Services segment		Total	
	2011 HK$'000	2010 HK$'000 *(restated)*	2011 HK$'000	2010 HK$'000 *(restated)*	2011 HK$'000	2010 HK$'000 *(restated)*
OTHER SEGMENT INFORMATION						
Depreciation of property, plant and equipment	14,508	16,441	10,887	10,888	25,395	27,329
Amortisation of intangible assets	391	420	–	–	391	420

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 (excluding trademarks, goodwill and deferred tax assets) are detailed below:

	Turnover		Non-current assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Hong Kong and Macau	552,139	440,662	247,183	221,743
Mainland China	386,187	421,695	13,809	13,420
Taiwan	40,124	42,322	798	704
Singapore	6,889	7,199	10	91
	985,339	911,878	261,800	235,958

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

	2011 HK$'000	2010 HK$'000
Gain on fair value change of investment properties	32,090	50,520
Deficit arising on revaluation of property upon transfer to investment property	–	(6,157)
(Loss) gain on disposal/write off of property, plant and equipment	(20)	72
Net exchange gain (loss)	933	(347)
	33,003	44,088

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses on secured mortgage loan	**824**	882
Effective interest expenses on convertible bond (note 32)	**5,229**	2,019
	6,053	2,901

10. TAXATION

	2011 HK$'000	2010 HK$'000 *(restated)*
Current taxation		
Hong Kong Profits Tax	**14,167**	7,160
Overseas taxation	**11,063**	5,813
Under (over) provision in prior years	**6**	(1,738)
	25,236	11,235
Deferred taxation (note 31)		
Current year	**9,273**	(4,674)
	34,509	6,561

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits 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% (2010: 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 24% (2010: 22%). 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 has been 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 31.

Taxation on profits generated outside Hong Kong/the PRC has been calculated on the estimated assessable profits 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:

	2011 HK$'000	2010 HK$'000 *(restated)*
Profit before taxation	**115,683**	71,275
Tax at Hong Kong Profits Tax rate of 16.5%	**19,088**	11,760
Effect of different tax rates applied in other jurisdictions	**1,934**	1,021
Tax effect of income not taxable for tax purpose	**(6,201)**	(7,920)
Tax effect of expenses not deductible for tax purpose	**2,997**	486
Utilisation of tax losses previously not recognised	**(232)**	(758)
Tax effect of tax losses not recognised	**7,098**	3,390
Under (over) provision in prior years	**6**	(1,738)
Reversal of deferred tax assets previously recognised (Note)	**6,233**	–
Effect of tax reduction granted to subsidiaries	**(808)**	(261)
Tax effect of withholding tax arising from undistributable profit of subsidiaries	**2,803**	1,934
Income tax at preferential rates	**(367)**	(1,605)
Others	**1,958**	252
Taxation for the year	**34,509**	6,561

Note: During the year, deferred taxation previously recognised as deferred tax assets was reversed as a result of the discontinuation of a business line of certain group entities where future profits in relation to this discontinued business line will not be available for utilising such related deferred tax assets.

11. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 *(restated)*
Profit for the year is stated at after charging:		
Amortisation of intangible assets	**391**	420
Auditor's remuneration	**1,601**	1,508
Equity-settled share-based payment expenses	**17,653**	13,880
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**94,396**	79,498
– contingent rent	**5,682**	4,903
and after crediting:		
Interest income on bank deposits	**1,106**	895
Rental income from investment properties	**2,033**	1,630

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:

	2011 HK$'000	2010 HK$'000 *(restated)*
Earnings for the purposes of basic and diluted earnings per share	**84,648**	66,501

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**763,952,764**	749,320,533
Effect of dilutive potential ordinary shares in respect of share options	**–**	15,221,886
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**763,952,764**	764,542,419

The computation of diluted earnings per share for the year ended 30th September, 2011 has not assumed the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price of shares for that year.

Diluted earnings per share for both years do not include the effect of the convertible bond because it would result in an increase in earnings per share.

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim dividend declared and paid of 3.0 HK cents (2010: 3.0 HK cents) per share	**22,919**	22,919
Final dividend proposed after the end of the reporting period of 8.0 HK cents (2010: 4.0 HK cents) per share	**61,116**	30,558
	84,035	53,477

The 2011 final dividend of 8.0 HK cents per share, amounting to approximately HK$61,116,000 (2010: HK$30,558,000), 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 a distribution for this year.

The aggregate amount of the dividends paid during the year ended 30th September, 2011 were approximately HK$53,477,000 (2010: HK$59,875,000).

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 HK$'000	2010 HK$'000
Wages, salaries, bonuses and allowances	**271,837**	239,628
Pension costs – defined benefit plan (note 30)	**(62)**	(65)
Pension costs – defined contribution plans	**16,456**	15,311
Unutilised annual leave	**(96)**	268
	288,135	255,142

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	2011 Total emoluments HK$'000	2010 Total emoluments HK$'000
Yu Lai Si[4]	–	7,905	2,350	12	**10,267**	10,524
Tam Chie Sang	–	897	588	12	**1,497**	1,709
Yu Lai Chu, Eileen	–	897	588	12	**1,497**	1,709
Yu Kam Shui, Erastus	–	897	588	12	**1,497**	1,709
Lai Yin Ping	–	897	588	12	**1,497**	1,709
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 2011	450	11,493	4,702	60	**16,705**	
Total for the year 2010	450	10,900	6,400	60		17,810

(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 29.

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

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for both years include one director whose emolument was reflected in the analysis presented above. For the year ended 30th September, 2010, the emoluments of each of the Company's other four executive directors are the fifth highest in the Group and are also reflected in the analysis above. Emoluments payable to the remaining four (2010: three) individuals during the year were as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing and other allowances	**9,375**	6,086
Bonuses	**313**	461
Retirement benefit costs	**48**	36
	9,736	6,583

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	
	2011	2010
Emolument bands		
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	–
	4	3

For both years, no directors waived any emoluments and no emoluments were 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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At the beginning of the year	**657**	1,044	**58,896**	–	**59,553**	1,044
Additions	**88**	33	**–**	–	**88**	33
Acquisition of subsidiaries (note 33)	**–**	–	**–**	58,896	**–**	58,896
Amortisation charge	**(391)**	(420)	**–**	–	**(391)**	(420)
At the end of the year	**354**	657	**58,896**	58,896	**59,250**	59,553
Cost	**7,060**	6,972	**58,896**	58,896	**65,956**	65,868
Accumulated amortisation	**(6,706)**	(6,315)	**–**	–	**(6,706)**	(6,315)
Carrying value	**354**	657	**58,896**	58,896	**59,250**	59,553

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 finite legal lives but 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 for both periods.

17. GOODWILL

	HK$'000
COST	
At 1st October, 2009	966
Acquisition of subsidiaries (note 33)	3,012
At 30th September, 2010 and 2011	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 brand of product and service line acquired during the year ended 30th September, 2010 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 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 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 33). 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

	2011 HK$'000	2010 HK$'000
FAIR VALUE		
At the beginning of the year	**163,220**	37,700
Addition	**2,050**	–
Disposal	**(7,800)**	–
Transferred from property, plant and equipment	**–**	75,000
Increase in fair value recognised in the consolidated income statement	**32,090**	50,520
At the end of the year	**189,560**	163,220

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

	2011 HK$'000	2010 HK$'000
In Hong Kong, held on:		
Leases of 50 years	**38,560**	35,420
Leases of over 50 years	**151,000**	127,800
	189,560	163,220

During the year ended 30th September, 2010, the Group transferred land and building previously classified as property, plant and equipment, 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 & Real Estate Consultancy Limited ("Dynasty Premium"), independent qualified professional valuer not connected with the Group. A deficit on revaluation of approximately HK$6,157,000 was charged to the consolidated income statement during the year ended 30th September, 2010 accordingly.

The fair value of the Group's investment properties as at 30th September, 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Dynasty Premium.

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

	Leasehold land and 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, 2009	5,986	104,453	3,476	9,341	32,632	9,118	165,006
Effect of change in accounting policy (note 2)	75,550	–	–	–	–	–	75,550
At 1st October, 2009 *(restated)*	81,536	104,453	3,476	9,341	32,632	9,118	240,556
Additions	–	24,064	–	1,658	4,328	2,299	32,349
Acquisition of subsidiaries (note 33)	–	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	(81,536)	–	–	–	–	–	(81,536)
Exchange realignment	–	4	–	1	–	–	5
At 30th September, 2010	–	125,725	3,476	11,134	36,961	11,482	188,778
Additions	**–**	**19,433**	**–**	**893**	**3,753**	**810**	**24,889**
Eliminated on disposals	**–**	**(75)**	**–**	**(144)**	**(22)**	**(246)**	**(487)**
Eliminated on write-off	**–**	**(14,707)**	**–**	**(36)**	**(106)**	**(8)**	**(14,857)**
Exchange realignment	**–**	**3,362**	**56**	**322**	**128**	**127**	**3,995**
At 30th September, 2011	**–**	**133,738**	**3,532**	**12,169**	**40,714**	**12,165**	**202,318**
Accumulated depreciation							
At 1st October, 2009	192	85,833	2,020	6,902	22,213	7,051	124,211
Effect of change in accounting policy (note 2)	98	–	–	–	–	–	98
At 1st October, 2009 *(restated)*	290	85,833	2,020	6,902	22,213	7,051	124,309
Provided for the year	89	19,960	729	1,505	4,002	1,044	27,329
Eliminated on disposals	–	(2,085)	–	–	–	(77)	(2,162)
Eliminated on write-off	–	(4,287)	–	(66)	–	(4)	(4,357)
Transferred to investment properties	(379)	–	–	–	–	–	(379)
Exchange realignment	–	4	–	1	–	–	5
At 30th September, 2010	–	99,425	2,749	8,342	26,215	8,014	144,745
Provided for the year	**–**	**18,173**	**552**	**1,483**	**3,991**	**1,196**	**25,395**
Eliminated on disposals	**–**	**(40)**	**–**	**(144)**	**(22)**	**(227)**	**(433)**
Eliminated on write-off	**–**	**(14,707)**	**–**	**(36)**	**(105)**	**(5)**	**(14,853)**
Exchange realignment	**–**	**2,739**	**44**	**224**	**111**	**98**	**3,216**
At 30th September, 2011	**–**	**105,590**	**3,345**	**9,869**	**30,190**	**9,076**	**158,070**
Carrying value							
At 30th September, 2011	**–**	**28,148**	**187**	**2,300**	**10,524**	**3,089**	**44,248**
At 30th September, 2010	–	26,300	727	2,792	10,746	3,468	44,033
At 1st October, 2009 *(restated)*	81,246	18,620	1,456	2,439	10,419	2,067	116,247

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and 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. RENTAL DEPOSITS

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

21. INVENTORIES

	2011 HK$'000	2010 HK$'000
Finished goods – merchandises	**69,969**	71,472

22. TRADE RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**66,138**	78,658
Less: allowances for bad and doubtful debts	**(778)**	(778)
Total trade receivables	**65,360**	77,880

22. TRADE RECEIVABLES (Continued)

The Group allows credit terms ranging from 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 allowances for bad and doubtful debts, at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**51,430**	67,375
31 days to 60 days	**7,601**	6,487
61 days to 90 days	**1,867**	1,774
Over 90 days	**4,462**	2,244
	65,360	77,880

Included in the Group's trade receivable balances are debtors with a total carrying amount of approximately HK$4,462,000 (2010: HK$2,244,000) which were past due but not required impairment as at the reporting date. The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at an average rate of 0.7% (2010: 0.01%) per annum.

24. 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:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**19,561**	11,076
31 days to 60 days	**–**	155
	19,561	11,231

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

25. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

The amount was unsecured and interest-free. During the year, the Group and the non-controlling shareholder waived the amount due from certain subsidiaries on a proportionate basis in accordance with their shareholding interest in the relevant subsidiaries. The waiver of amounts due to the non-controlling shareholders was credited to equity as deemed contribution from the non-controlling shareholder.

26. 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.

27. SECURED MORTGAGE LOAN

	2011 **HK$'000**	2010 HK$'000
Analysed for reporting purpose as current liabilities	**37,125**	39,588

The Group's secured mortgage loan contains a repayment on demand clause and is classified as current liability. The contractual maturity analysis of this loan is set out in note 6.

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

	2011 **HK$'000**	2010 HK$'000
Within 1 year	**2,971**	2,688
1 year to less than 2 years	**2,807**	2,746
2 years to less than 3 years	**2,867**	2,807
3 years to less than 4 years	**2,930**	2,867
4 years to less than 5 years	**2,993**	2,929
5 years or more	**22,557**	25,551
	37,125	39,588

The mortgage loan is secured by the Group's investment property with a carrying value of HK$151,000,000 as at 30th September, 2011 (2010: HK$120,000,000). It bears interest at 2.85% per annum below the bank's Best Lending Rate. The effective interest rate is approximately 2.15% (2010: 2.15%) per annum.

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

28. SHARE CAPITAL

	Authorised share capital	
	Number of shares	HK$'000
Ordinary shares of HK$0.1 each		
At 1st October, 2009 and 30th September, 2010	1,000,000,000	100,000
Increase on 8th February, 2011 (note (a))	1,000,000,000	100,000
At 30th September, 2011	2,000,000,000	200,000

	Issued and fully paid ordinary shares	
	No. of shares	HK$'000
At 1st October, 2009	369,556,000	36,956
Bonus issue of shares on a one-to-one basis (note (b))	369,556,000	36,956
Issue of new shares upon subscription (note (c))	24,840,764	2,483
At 30th September, 2010 and 2011	763,952,764	76,395

Notes:

(a) Pursuant to an ordinary resolution duly passed by shareholders on 8th February, 2011, the authorised share capital of the Company was increased from HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.1 each to HK$200,000,000 divided into 2,000,000,000 ordinary shares by the creation of an additional 1,000,000,000 ordinary shares of HK$0.1 each.

(b) On 30th March, 2010, 369,556,000 ordinary shares of the Company of HK$0.1 each were 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.

(c) On 4th May, 2010, an aggregate of 24,840,764 subscription shares of HK$0.1 each were issued and allotted at a subscription price of HK$1.57 per share 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 were set out in the announcement of the Company dated 27th April, 2010.

29. 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.

As at 30th September, 2011 and 2010, there were no outstanding share options available to subscribe for shares under the Share Option Scheme.

(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$17,653,000 (2010: HK$13,880,000) was recognised and charged to the consolidated income statement for the year.

Following the Company's 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.

Since the date the Option was granted, the Advisor has not exercised its right under the Option to subscribe for any shares in the Company.

30. PENSION OBLIGATIONS

(a) Defined Contribution Plans

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

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

(b) Defined Benefit Plan

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

Actuarial valuation was performed on the pension liability as at 30th September, 2011 and 2010 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, 2011 has been recognised in the consolidated income statement in 2011.

(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:

	2011 **HK$'000**	2010 HK$'000
Present value of funded defined benefit obligations	**202**	206
Fair value of plan assets	**(746)**	(704)
Present value of defined benefit obligations	**(544)**	(498)
Unrecognised actuarial gains	**769**	772
Liability in the consolidated statement of financial position	**225**	274

30. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

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

	2011 HK$'000	2010 HK$'000
Interest cost	**4**	4
Expected return on plan assets	**(13)**	(14)
Net actuarial gain	**(53)**	(55)
Total gain recognised in the consolidated income statement (note 14)	**(62)**	(65)

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

	2011 HK$'000	2010 HK$'000
At the beginning of the year	**274**	339
Exchange realignment	**13**	–
Total gain included in staff costs (note 14)	**(62)**	(65)
At the end of the year	**225**	274

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

	2011 %	2010 %
Discount rate	**1.80**	1.80
Expected rate of return on plan assets	**1.80**	1.80
Expected rate of future salary increase	**2.25**	2.25

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

	2011 HK$'000	2010 HK$'000
At the beginning of the year	**206**	178
Exchange realignment	**10**	–
Interest cost	**4**	4
Actuarial (gain) loss	**(18)**	24
At the end of the year	**202**	206

30. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

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

	2011 HK$'000	2010 HK$'000
At the beginning of the year	**704**	692
Exchange realignment	**35**	–
Expected return on plan assets	**13**	14
Actuarial loss	**(6)**	(2)
At the end of the year	**746**	704

The actuarial valuation shows that the market value of plan assets was HK$746,000 (2010: HK$704,000).

(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:

	2011 %	2010 %
Deposits with financial institutions	**24.42**	34.14
Short term bills	**6.73**	8.33
Stocks	**9.40**	7.92
Bonds	**11.52**	10.08
Others	**47.93**	39.53
	100.00	100.00

31. 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$'000 *(Note)*	Undistributable profit of subsidiaries HK$'000	Total HK$'000
At 1st October, 2009	912	5,117	–	(2,320)	–	(5,260)	(1,551)
Effect of change in accounting policies (note 2)	–	–	–	2,320	–	–	2,320
At 1st October, 2009 *(restated)*	912	5,117	–	–	–	(5,260)	769
Acquisition of subsidiaries (note 33)	–	–	(9,718)	–	–	–	(9,718)
(Charged) credited to the consolidated income statement	(42)	6,317	–	–	333	(1,934)	4,674
Charged to equity	–	–	–	–	(263)	–	(263)
At 30th September, 2010 *(restated)*	870	11,434	(9,718)	–	70	(7,194)	(4,538)
Exchange realignment	–	–	–	–	–	(690)	(690)
Credited (charged) to the consolidated income statement	31	(7,042)	–	–	541	(2,803)	(9,273)
At 30th September, 2011	901	4,392	(9,718)	–	611	(10,687)	(14,501)

Note: The deferred tax asset on convertible bond represented the temporary timing difference between the effective interest expense and the coupon interest payment.

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:

	2011 HK$'000	2010 HK$'000 *(restated)*	2009 HK$'000 *(restated)*
Deferred tax assets	**6,637**	13,005	6,551
Deferred tax liabilities	**(21,138)**	(17,543)	(5,782)
	(14,501)	(4,538)	769

At the end of the reporting period, the Group had unused tax losses of approximately HK$102,724,000 (2010: HK$77,047,000, 2009: HK$63,356,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$25,649,000 (2010: HK$55,485,000, 2009: HK$26,192,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$77,075,000 (2010: HK$21,562,000, 2009: HK$37,164,000) due to the unpredictability of future profit streams.

32. 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 28(c). 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 current and prior year are set out below:

	HK$'000
At 1st October, 2009	–
Issued during the year	37,390
Interest charge (note 9)	2,019
At 30th September, 2010	39,409
Interest charge (note 9)	5,229
Interest paid	(1,950)
At 30th September, 2011	42,688

33. ACQUISITION OF SUBSIDIARIES

For the year ended 30th September, 2010

On 28th May, 2010, the Group acquired the Glycel business at a consideration of HK$26,886,000. 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 were 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

34. PLEDGE OF ASSETS

As at 30th September, 2011 and 2010, the carrying value of the Group's asset which was pledged to secure a mortgage loan is as follows:

	2011 HK$'000	2010 HK$'000
Investment property	**151,000**	120,000

35. COMMITMENTS AND ARRANGEMENTS

(a) Capital Commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**46**	5,099

(b) Commitments and Arrangements under Operating Leases

At 30th September, 2011 and 2010, the Group had total future aggregate minimum lease receipts and payments under non-cancellable operating leases in respect of investment properties and land and buildings as follows:

As lessors **Rental receipts**	2011 HK$'000	2010 HK$'000
Not later than 1 year	**5,160**	1,194
More than 1 year and not later than 5 years	**3,325**	788
	8,485	1,982

There was no contingent lease arrangement for the Group's rental receipts.

As lessees **Rental payments**	2011 HK$'000	2010 HK$'000
Not later than 1 year	**99,530**	88,897
More than 1 year and not later than 5 years	**104,347**	130,618
More than 5 years	**–**	1,849
	203,877	221,364

35. COMMITMENTS AND ARRANGEMENTS (Continued)

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

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

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

36. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 30th September, 2011 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

36. 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

36. 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
WO North China Company Limited (formerly known as WOYR North China Company Limited)	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	*100%	Investment holding in Hong Kong
WO Central China Company Limited (formerly known as WOYR Central China Company Limited)	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	*100%	Investment holding in Hong Kong
WO South China Company Limited (formerly known as WOYR South China Company Limited)	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	*100%	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	*100%	Inactive
伊亮諾化妝品商貿（上海）有限公司	PRC 5th February, 2009	US$500,000	*100%	Inactive
伊翠露化妝品商貿（上海）有限公司	PRC 5th February, 2009	US$500,000	*100%	Inactive
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

36. 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.

* During the year, the Group's shareholding in these subsidiaries increased from 75% to 100%. There were no changes in shareholding for the rest of the subsidiaries.

37. RELATED PARTY TRANSACTION

Key management personnel compensation

	2011 HK$'000	2010 HK$'000
Basic salaries and housing allowances	**11,493**	10,900
Bonuses	**4,702**	6,400
Retirement benefit costs	**60**	60
	16,255	17,360

Five-Year Financial Summary

	Year ended 30th September,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	*(restated)*	*(restated)*	*(restated)*
RESULTS					
Turnover	**985,339**	911,878	920,955	846,569	593,358
Profit before taxation	**115,683**	71,275	101,160	100,291	52,743
Taxation	**(34,509)**	(6,561)	(17,090)	(21,455)	(9,774)
Profit for the year	**81,174**	64,714	84,070	78,836	42,969
Profit for the year attributable to:					
Owners of the Company	**84,648**	66,501	81,630	71,905	41,125
Non-controlling interests	**(3,474)**	(1,787)	2,440	6,931	1,844
	81,174	64,714	84,070	78,836	42,969
STATEMENT OF FINANCIAL POSITION					
Total assets	**861,583**	732,083	539,375	522,815	400,623
Total liabilities	**(540,566)**	(473,062)	(340,465)	(331,758)	(229,832)
	321,017	259,021	198,910	191,057	170,791
Equity attributable to owners of the Company	**304,681**	246,916	185,980	182,342	168,194
Non-controlling interests	**16,336**	12,105	12,930	8,715	2,597
	321,017	259,021	198,910	191,057	170,791

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

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

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