Water **Oasis** Group Limited

奧思集團有限公司

Stock Code 股份代號：1161

源源動力
開拓無限新機

Revitalised flow of **Energy**

ANNUAL REPORT

2012 年報

CONTENTS

Corporate Profile

Since its founding in 1998, Water Oasis Group (the "Group") has rapidly developed to become one of the region's leading skincare and beauty services groups. Over the years, the Group has established an extensive sales and distribution network in the region, particularly in Greater China. The Group has the exclusive distribution rights for branded skincare products, including the renowned American brand "h2o+" in Hong Kong, Macau and Singapore, as well as the respectable high-end Hungarian dermatologist skincare brand "Erno Laszlo" for both Hong Kong and Mainland China.

Embracing a new role as a brand owner, the Group has successfully acquired a Swiss skincare 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 brand of cell rejuvenation expert from Switzerland.

In addition, the Group has diversified its beauty service businesses over the years, operating spa and beauty services under the "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "Oasis Homme", "Oasis Medical Centre" and "Glycel" brands. These businesses provide a full spectrum of professional beauty services to a wide swath of customers. To rapidly penetrate the beauty services market in Mainland China, the Group is also setting up a franchise base for Oasis Beauty centres.

h2o+

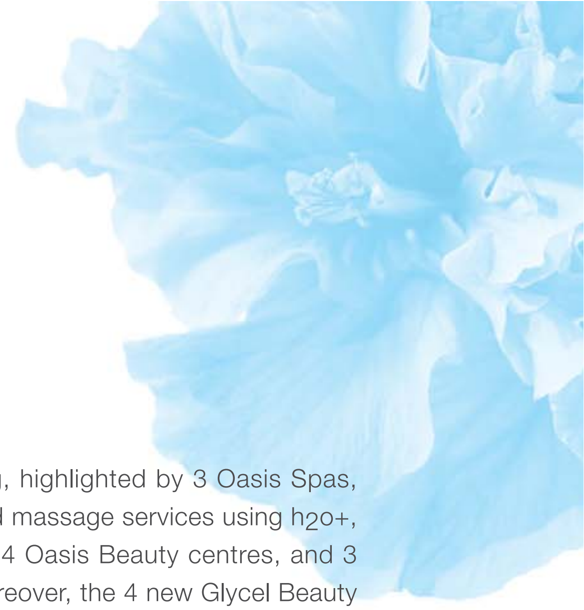
Boasting water-based, oil-free formula and health benefits from its use of ingredients extracted from the sea, the h2o+ range has wide appeal for men and women alike. h2o+ products sold include skincare, bodycare and health supplement products. As at 30th September, 2012, there was a total of 15 retail outlets including 13 in Hong Kong, 1 in Macau, and 1 in Singapore.

Glycel

Glycel is a prominent brand from Switzerland and is particularly respectful of its anti-aging products. Its trademarks have been registered in more than 60 countries around the world, and its effective distribution channels have enabled its products to gain significant market share in Hong Kong in the past 20 years. The brand acquisition was completed in May 2010 and become a self-owned and operate brand of the Group. As at 30th September, 2012, there are 5 retail outlets and 4 beauty centres operating in Hong Kong; 6 department store counters operating in Taiwan and 4 department store counters operating in PRC.

Erno Laszlo

Erno Laszlo is a prestigious high-end skincare brand with long history background founded by a renowned Hungarian dermatologist Dr. Erno Laszlo in 1927. The brand is favourite among celebrities and Hollywood movie stars. The Group has obtained an exclusive distributorship rights for both Hong Kong and Mainland China in June 2009. Widely prominent for its high quality, Erno Laszlo is now operating with 7 retail outlets in Hong Kong as at 30th September, 2012.



Superior Spa and Beauty Salons

The Group operates a total of 25 spa and beauty centres in Hong Kong, highlighted by 3 Oasis Spas, providing comprehensive beauty and slimming treatments, hydro-bath and massage services using h2o+, Glycel and Erno Laszlo products. In addition, the Group also operates 14 Oasis Beauty centres, and 3 Aqua Beauty centres for women plus 1 Oasis Homme centre for men. Moreover, the 4 new Glycel Beauty centres have provided a new impetus to the Group's beauty services business. These spa and beauty centres offer a wide range of competitively priced beauty treatments targeting the high-end, mid-range and mass market customers. As at 30th September, 2012, the Group also operates 3 Oasis Beauty centres in Beijing, Mainland China.

Medical Beauty

To provide a more comprehensive spectrum of beauty services, the Group has started the Oasis Medical Centre business in January 2008 with a total of 4 centres operating in Hong Kong as at 30th September, 2012. Staffed by registered medical doctors and professional therapists with extensive medical beauty experiences, these centres offer advanced, safe and professional medical beauty treatments to customers. This new value-added business represents expansion of the Group's operations in alignment with its core business.

Other Business

The Group also operates other supporting business namely "Oasis Florist".

Water Oasis Group Limited was listed on the Main Board of the Stock Exchange of Hong Kong Limited in March 2002.

CEO's Statement

The year 2011-12 has proved to be an interesting and exciting period for the Group. Though one door closed, several more opportunities opened at the same time. We have considered the changes around us and revised our growth strategies accordingly, and I believe our plans going forward are very positive and promising.

The "closing" door has of course been the Group's distributor rights in the PRC and Taiwan for h2o+ products. This loss has not affected our h2o+ operations in Hong Kong, Macau or Singapore; we have continued to consolidate our presence in these markets and have enjoyed a solid performance over the year. But the fall in retail sales in the PRC in particular has thrown other aspects of our business into the spotlight: specifically, our high margin own-brand Glycel products, and our strong beauty services business, comprising Oasis Beauty and Oasis Spa. All of these areas have performed extremely well over the year.

In the light of our experiences during the year, we are now looking to adopt a "dual-development" model for our retail and service businesses. By taking advantage of the synergies and cross-selling opportunities between our retail products and beauty services, we believe we can create a value-added dual business model that will go far towards cement customer loyalty over the long term.

In terms of our future retail operations in the PRC, we are moving from a quantity-based to a quality-based approach. In the last couple of years Hong Kong has established itself as a showcase destination for products for Asian consumers; many popular products in Hong Kong quickly become sought after in the Greater China region. With this phenomenon in mind, we will be focusing on promoting our retail products, especially Glycel, strongly in Hong Kong and building up a powerful customer base. By firmly establishing our brands in the Hong Kong market, we are confident that retail expansion into other markets like the PRC and Taiwan will have a high chance of success.

With this new approach there will be a new emphasis on safeguarding our premium image, and this will impact the way we expand and open new stores. Rather than rapidly opening new stores in the PRC, we will focus on opening high quality self-managed stores. This strategy should give us the ability to promote our premium image and maintain a high level of brand reputation. We believe this will be an important key to success in our target higher-end retail market in the region.

I took over as Group CEO in July 2012, and I would like to thank our previous CEO Ms Yu Lai Si for the excellent service and results she provided to the Group in her time at the helm. We believe we have made the transition as seamless as possible, since the business philosophy of the Group remains largely unchanged. I would only add that it is my personal goal to gradually recruit more management talents to join our Group in order to accelerate our business growth. I believe that the careful implementation of our growth strategies, coupled with an expansion of our professional management team, will make the Group well placed to execute new opportunities in the coming years.

Yu Kam Shui
Executive Director and Acting Chief Executive Officer
19th December, 2012

Management Discussion and Analysis

For the year ended 30th September, 2012, the Group recorded a fall in overall turnover of 16.3% when compared with turnover in the previous year, accompanied by a fall in profit attributable to owners of the Company of 19.7%. Both these events were largely because of the Group's loss of its distributor rights for h2o+ products in the PRC and Taiwan announced earlier this year. This loss resulted in the write-off costs on inventory and fixed assets. Despite the loss, gross profit margin increased for the year from 79.6% to 80.7%. This positive development was largely due to the greater weighting given to higher gross margin business, namely Glycel and beauty businesses. Basic earnings per share for the year were 8.9 HK cents (2011: 11.1 HK cents).

Though the Group recorded a fall in turnover and net profit margin for the year due to the termination of the h2o+ business in the PRC and Taiwan and related one-off expenses, the actual final figures are considerably better than might have been expected due to the strong contributions posted by other areas of business. In particular the Group's efforts in promoting and expanding its high-end Glycel brand bore considerable fruit, going a long way towards compensating for the drop in h2o+ sales. The success of the Group's high-margin beauty services segment further muted the effects of the h2o+ termination, which also enabled big savings to be made on areas such as advertising. Together these developments augur well for the Group's performance in the year to come.

In terms of financial position the Group maintained its traditional healthy financial base, with cash on hand as at 30th September, 2012 amounting to approximately HK$255.2 million. Cash flow from operations remained robust. At the end of the year, the Group's current ratio stood at 0.9:1, and its debt-equity ratio was 27.6%.

Over the year, the Group has delivered strong sales contributions from both its retail and service businesses, with the service business performing particularly well. This has lifted the Group's retail/services split to just about 50/50, making it much more balanced than in recent years, and providing one important reason why the Group's gross profit margin rose over the year. Indeed, the Group's ability to draw on both retail and service contributions in roughly equal degrees is a benefit few other Hong Kong companies enjoy.

Many businesses in Hong Kong have suffered from the surge in property and rental prices in the city over the past couple of years. For 2011-12, however, the Group managed to maintain its rental costs at approximately the same level as last year. Without compromising its commitment to operating flagship stores in prestigious shopping locations, the Group was flexible in relocating and sometimes rationally downsizing other outlets to effectively manage spiraling rentals. Staff costs rose over the previous year, partly due to certain one-off redundancy payouts upon the termination of h2o+ operations.

Business Review

I. BRAND OWNERSHIP AND DISTRIBUTION

Glycel

The Group's Glycel brand has been a stand-out performer over the year, recording an 120.3% increase in retail sales year-on-year, and 16.0% growth in sales to the beauty sector. This positive growth hinged on the Group's careful retail expansion and enrichment of the Glycel product range. Two new Glycel outlets were opened in the year, one in Tuen Mun Town Plaza and the other in the trendy apm mall in Kwun Tong. Outside the reporting period, a further counter was opened in Harvey Nichols, Pacific Place in October, together with one further outlet opened in Plaza Hollywood at Diamond Hill in December of this year. Others are currently at the negotiation stage.

Generally, the Glycel brand appeals to a slightly maturer age group who are higher spenders. The Group has committed itself to significant investment in and development of the Glycel brand, a move which seems to be paying off. During the year, a Glycel collagen drink Collagen Prime 10000 was launched in July which was especially well received. The product range continues to grow, from 19 products on acquisition of the brand to a current total of nearly 50.

The Group launched its Glycel brand in China in July 2012, and currently there are five Glycel outlets in operation there. The focus for China expansion will be on establishing a solid reputation for quality and high performance, so there will be no rush to open new counters. The Group intends also to be very selective regarding the location of new Glycel outlets, to ensure they match its target consumer profile.

h2o+

In Hong Kong, Macau and Singapore where the Group retains its distributorship rights, sales of h2o+ dropped slightly over the year. This was mainly due to the closure of some stores for cost-effectiveness reasons, which reduced sales outlets for the brand. However, the Group maintains a good relationship with the h2o+ brand owner, and remains highly committed to growth and development of the brand in its traditional core markets. It plans to open further new stores in Hong Kong later in the year and the year to come, and continue with its gradual h2o+ image rebranding programme to inject a fresh image to the brand. The first of the rebranded shops opened in Shatin in August of this year, to a good reception.

Erno Laszlo

Erno Laszlo, another retail brand for which the Group has exclusive distribution rights in Hong Kong and the PRC, enjoyed a significant 56.5% increase in retail sales over the year. Three new outlets were opened in excellent locations, including one of them was opened in the prestigious prime location of Hysan Place located in Causeway Bay, and the Group continues to explore further high-end opportunities for Hong Kong expansion of this promising brand range.

II. SPA AND BEAUTY BUSINESS

The Group's beauty services business, made up primarily of Oasis Beauty, Glycel and Oasis Spa, performed exceptionally well over the year, with promising developments in both Hong Kong and the PRC. In Hong Kong, Oasis Beauty opened two new service outlets during the year; though performing strongly, their arrival was not fully reflected in the bottom line for the year due to accounting regulations. A further Oasis Beauty outlet was opened in November 2012, and two more are at the planning stage. Oasis Spa, though not expanding in terms of outlets over the year, nevertheless managed to generate a 21.8% increase in turnover for the year.

The success of the three Oasis Beauty outlets in Beijing translated into a 90.1% increase in revenue for the year, an extremely encouraging result especially in terms of preparing for the launch of the Oasis Beauty franchise in the PRC next year.




PROSPECTS

The Group's dual retail/service strategy, straddling two separate but closely related business areas, should enable us to maintain a very solid position in the years to come.

The Glycel brand in particular enjoys strong prospects for the coming year. Plans are afoot to open several new outlets over the next 12 months, and a good performance from this brand, given its higher profit margin, will go a long way towards making up the shortfall from loss of h2o+ sales in the PRC. Though the prospect is bright, the Group will only expand Glycel retail business in China selectively for quality stores until the brand is firmly established in Hong Kong. This is believed to be the most effective way to expand the business while securing the prestige image of the brand.

Oasis Beauty has been gathering momentum in the PRC, and the time is ripe to take its presence there to a new level. Moving on from its three Oasis Beauty outlets in Beijing, in December the Group plans to open a flagship 3,000 sq.ft. Oasis Beauty premises in the prime location of Pudong, Shanghai, in a move that will bring the brand into a forward-looking, highly cosmopolitan city. If this move is as successful as expected, it will offer substantial new opportunities for growth in the PRC market.

More generally, the Group's plan for the coming year is to make the Hong Kong market the launching pad for product recognition and acceptance. Using the exposure and experience gained in Hong Kong, brands can then be introduced to the PRC market and elsewhere with a good level of brand momentum in place. In addition, the Group intends to develop its retail and services segments in tandem, developing synergies between them which will benefit both. Also as part of our development plans, the Group will continue to evaluate merger and acquisition opportunities that may add value to our business.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 62, is one of the founders of the Group and the founder of the Group's Taiwan operation, and was appointed as Acting Chief Executive Officer of the Company since 6th July, 2012. 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. Besides, as the Acting Chief Executive Officer of the Company, he is also responsible for the corporate policy formulation, business strategy planning and the overall management of the Group. Mr. Yu is the brother of Ms. Yu Lai Chu, Eileen, Ms. Lai Yin Ping's husband, the brother-in-law of Mr. Tam Chie Sang, the uncle of Mr. Tam Siu Kei, Alan and the father of Mr. Yu Ho Kwan, Steven.

Mr. TAM Chie Sang, aged 60, 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 skincare businesses in 1993 and was, together with Ms. Yu Lai Chu, Eileen, the sole distributor 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, the brother-in-law of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping; the uncle of Mr. Yu Ho Kwan, Steven and the father of Mr. Tam Siu Kei, Alan.

Ms. YU Lai Chu, Eileen, aged 60, 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 skincare market. Ms. Yu and Mr. Tam Chie Sang acted as the sole distributor 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 Mr. Yu Kam Shui, Erastus, the wife of Mr. Tam Chie Sang; the sister-in-law of Ms. Lai Yin Ping; the aunt of Mr. Yu Ho Kwan, Steven and the mother of Mr. Tam Siu Kei, Alan.

Ms. LAI Yin Ping, aged 57, 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; the sister-in-law of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen; the aunt of Mr. Tam Siu Kei, Alan and the mother of Mr. Yu Ho Kwan, Steven.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. WONG Lung Tak, Patrick, B.B.S., J.P., aged 64, is an independent non-executive director. Prof. Wong is a Practising Certified Public Accountant. He is the managing practicing director of Patrick Wong CPA Limited and has over 30 years experience in the accountancy profession. Prof. Wong obtained a Doctor of Philosophy Degree in Business, 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. Prof. Wong has also been appointed Adjunct Professor of the School of Accounting and Finance of Hong Kong Polytechnic University since 2002. Prof. Wong involves in many other community services, holding posts in various organisations, government committees and voluntary agencies. Prof. 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, Sino Oil and Gas Holdings Limited, National Arts Holdings Limited and Winox Holdings Limited, all are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, **Duffy**, J.P., aged 59, 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, an Accredited General Mediator and a member of the Chartered Institute of Arbitrators. He participates in many public services including being a Justice of the Peace, the Chief Adjudicator of Immigration Tribunal and the Chairman of the Quality Education Fund Steering Committee.

Dr. WONG Chi Keung, aged 57, 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 a senior officer 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 46, 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 40, 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 16 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 skincare 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. KIU Wai Kei, Noel, aged 45, is the Human Resources Director of the Group. Ms. Kiu holds a Master Degree in Human Resources Management and a Bachelor Degree in Social Science. Prior to joining the Group in January 2011, Ms. Kiu has over 20 years of human resources experiences working for various reputable multinational corporations and Hong Kong listed companies as Regional and Group Human Resources Heads.

Mr. TAM Siu Kei, Alan, aged 35, is the Director – Group Operation. 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 Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping, all are directors of the Company. Mr. Tam is the cousin of Mr. Yu Ho Kwan, Steven, who is the Director – Mainland China.

Ms. TIN Lai Lai, Fion, aged 35, is the Marketing Director of the Group responsible for overseeing marketing, advertising and promotion functions. Ms. Tin has more than 10 years of experiences in these areas and she holds a Bachelor of Business Administration Degree. Prior to joining the Group in July 2006, Ms. Tin had worked for various global advertising agencies serving clients from a wide range of businesses and industries.

Mr. YU Ho Kwan, Steven, aged 29, is the Director – Mainland China. He graduated from University of Wisconsin – Madison of United States of America, with a degree in Bachelor of Business Administration. Prior to joining the Group in January 2011, Mr. Yu had experiences in accounting and corporate finance areas working in international accounting firm and corporate finance firm. Mr. Yu obtained his Certified Public Accountant licence in the United States. Mr. Yu is the son of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping; the nephew of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen, all of which are directors of the Company. Mr. Yu is the cousin of Mr. Tam Siu Kei, Alan, who is the Director – Group Operation.

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, 2012.

In November 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") promulgated the Code on Corporate Governance Practices ("Old 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 Company has complied with the applicable Code Provisions of the Old Code from 1st October, 2011 to 31st March, 2012 and has complied with the applicable Code Provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "CG Code") from 1st April, 2012 to 30th September, 2012.

The Board is committed itself to enhance the 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 excellent 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, 2012.

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 former CEO (resigned on 6th July, 2012) and Mr. Yu Kam Shui, Erastus, the Acting CEO of the Group (appointed on 6th July, 2012), have been carrying out the duties of both the Chairman and CEO. 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 its 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

As at 30th September, 2012 and up to the date of this Annual Report, the Board comprises four executive directors and three independent non-executive directors from different business and professional fields (Ms. Yu Lai Si resigned as executive director of the Company with effect from 6th July, 2012). 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 Company has received an annual 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 to be independent.

Prof. Wong Lung Tak, Patrick, B.B.S., J.P. ("Prof. Wong") and Mr. Wong Chun Nam, Duffy, J.P. ("Mr. Wong"), who are to retire by rotation at the forthcoming annual general meeting of the Company, have served on the Board for more than 9 years but they have never held any executive or management position in the Group nor have they throughout such period been under the employment of any member of the Group. The Directors noted the positive contributions of Prof. Wong and Mr. Wong to the development of the Company's strategy and policies through independent, constructive and informed contributions supported by their skills, expertises and qualifications and from their active participations at meetings. Both Prof. Wong and Mr. Wong have given the annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules to the Company and the nomination committee of the Company has assessed and is satisfied of the independence of Prof. Wong and Mr. Wong. Hence, the Board considers that the long services of Prof. Wong and Mr. Wong would not affect their exercises of independent judgments, and therefore considers Prof. Wong and Mr. Wong to be independent and recommends Prof. Wong and Mr. Wong to be re-elected.

The family relationships among the board members, if any, are disclosed under "Directors and Senior Management" section in this Annual Report.

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 fifteen times during the year ended 30th September, 2012.

PRACTICES AND CONDUCT OF MEETINGS

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The day-to-day management, administration and operations of the Company are delegated to the Acting CEO and the senior management.

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 composition of the Board and the attendance of individual members of the Board and other Board Committees meetings during the year ended 30th September, 2012 are set out in the table below:

	Meetings attended/held					
Directors	Full Board	Audit Committee	Remuneration Committee	Investment Advisory Committee	Nomination Committee	AGM
Executive Directors						
YU Kam Shui, Erastus	15/15	–	–	1/1	–	1/1
YU Lai Si (resigned on 6th July, 2012)	5/11	–	–	–	–	0/1
TAM Chie Sang	15/15	–	–	–	–	1/1
YU Lai Chu, Eileen	13/15	–	–	–	–	1/1
LAI Yin Ping	15/15	–	–	–	–	1/1
Independent Non-executive Directors						
WONG Lung Tak, Patrick, B.B.S., J.P.	15/15	2/2	1/1	1/1	1/1	1/1
WONG Chun Nam, Duffy, J.P.	15/15	2/2	1/1	1/1	1/1	1/1
WONG Chi Keung	15/15	2/2	1/1	1/1	1/1	1/1

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to the revised CG Code which took effect on 1st April, 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

The Company has put in place an on-going training and professional development programme for directors.

During the period from 1st April, 2012 to 30th September, 2012, all directors of the Company namely, Mr. Yu Kam Shui, Erastus, Ms. Yu Lai Si (resigned on 6th July, 2012), Mr. Tam Chie Sang, Ms. Yu Lai Chu, Eileen, Ms. Lai Yin Ping, Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the directors. Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung attended regulatory update sessions and seminars on relevant topics. All directors are requested to provide the Company with their respective training records pursuant to the CG Code.

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Board Committees, namely Audit Committee, Remuneration Committee, Investment Advisory Committee and Nomination 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 Prof. 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 and overseeing 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 the websites of the Stock Exchange and the Company.

To comply with the new requirement under the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Audit Committee to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to the directors and employees; to review and monitor the training and continuous professional development of directors and senior management and to review the Company's compliance with the code provisions set out in the CG Code contained in the Listing Rules and disclosures in the corporate governance report.

During the year ended 30th September, 2012, two meetings were held by the Audit Committee. At the meetings, it reviewed the annual results for 2011 and the interim results for 2012 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

The Company established a Remuneration Committee on 26th June, 2006 with a written terms of reference in compliance with the Old Code. This terms of reference was revised on 22nd March, 2012 to comply with the CG Code. 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 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. It shall also make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee shall meet at least once every year for reviewing the remuneration policy and structure and recommending the annual remuneration packages of the executive directors and the senior executives and other related matters. Its terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 30th September, 2012, one Remuneration Committee meeting was held.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 30th September, 2012 is set out below:

Remuneration band	Number of individuals
Nil to 1,000,000	2
1,000,001 – 1,500,000	2
2,000,001 – 2,500,000	2

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 16 to the financial statements as set out on pages 65 to 66 of this annual report.

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, the former CEO (resigned on 6th July, 2012) and Mr. Yu Kam Shui, Erastus, executive director and Acting CEO of the Company (appointed on 6th July, 2012), 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. Its terms of reference are available on the website of the Company.

During the year ended 30th September, 2012, one Investment Advisory Committee meeting was held.

NOMINATION COMMITTEE

To comply with the CG Code, a Nomination Committee was established on 22nd March, 2012. The members of the Nomination Committee comprises all independent non-executive directors of the Company and is chaired by Dr. Wong Chi Keung.

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and accessing the independence of independent non-executive Director. Although Prof. Wong Lung Tak, Patrick, B.B.S.,J.P. and Mr. Wong Chun Nam, Duffy, J.P. each has served the Company as Independent Non-executive Director for more than nine years, they do not have any management role in the Company. The Nomination Committee considered that they have continuously contributed to the Company and the Board with their relevant experience and knowledge throughout their years of service and they maintained to provide an independent view in relation to the Company's affairs. Its terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 30th September, 2012, one Nomination 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:

	2012 HK$'000
Statutory audit	1,681
Non-audit services	609
Total	2,290

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 2012 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 30 to 31.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for 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, 2012. No major issue was raised and no area for improvement had been identified and considered for further 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. The Company had not designated a director for the purpose of receiving notification and providing acknowledgment in respect of dealing in securities of the Company under Rule B.8 of the Model Code. On 13th February 2012, the Company had rectified the situation and had approved a memorandum detailing notification procedures to ensure compliance with the Model Code to all the directors. Following a specific enquiry by the Company, each of the directors (except one director) 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 made for employees who may have possessed or may have accessed to price sensitive information.

SHAREHOLDERS' RIGHT

HOW SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such a requisition must be signed by the Shareholder(s).

THE PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY DIRECTED

Shareholders and other stakeholders may send their enquires and concerns to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquires or concerns to the Chief Executive Officer or the chairman of the Board committees or senior management as appropriate within their area of responsibilities for handling.

THE PROCEDURES AND SUFFICIENT CONTACT DETAILS FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "HOW SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING" above.

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, 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries engage in the distribution of h_2o+ brand skincare products in Hong Kong, Macau, Taiwan, the People's Republic of China (the "PRC") and Singapore and the distribution of Erno Laszlo brand skincare products in Hong Kong. During the year, the distributorship of h_2o+ brand skincare products in the PRC and Taiwan were terminated as set out in note 8 to the consolidated financial statements. In addition, some of its principal subsidiaries own and engage in the distribution of Glycel brand skincare products in Hong Kong, PRC and Taiwan. 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, 2012 are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2012 are set out in the consolidated income statement on page 32.

The directors have recommended a final dividend of 4.0 HK cents per share for the year ended 30th September, 2012 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 1st March, 2013. Subject to the passing of the relevant resolution at the forthcoming AGM of the Company, the final dividend will be payable on 13th March, 2013.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2012 are set out in note 29 to the consolidated financial statements.

RESERVES

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

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2012 was measured using the fair value model. Details of which are set out in note 19 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 20 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 87.

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 Kam Shui, Erastus
YU Lai Si (resigned on 6th July, 2012)
TAM Chie Sang
YU Lai Chu, Eileen
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, Prof. Wong Lung Tak, Patrick, B.B.S., J.P. and Mr. Wong Chun Nam, Duffy, J.P. will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company considers that Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. 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 party 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' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2012, 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

			Number and class of shares				
Name of director	The Company/ name of associated corporation	Capacity	Personal interests	Family interests	Corporate interests	Total	Percentage of issued share capital
Yu Kam Shui, Erastus	The Company	Beneficial owner	8,000,000 ordinary	–	–	8,000,000 ordinary	1.0%
Tam Chie Sang	The Company	Interest of a controlled corporation and interest of spouse	–	5,960,000 ordinary(1)	155,333,760 ordinary(2)	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(1)	–	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(2)	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	–
Lai Yin Ping	The Company	Interest of spouse	–	8,000,000 ordinary(4)	–	8,000,000 ordinary	1.0%
Wong Chun Nam, Duffy, J.P.	The Company	Beneficial owner	600,000 ordinary	–	–	600,000 ordinary	0.1%

DIRECTORS' AND CHIEF EXECUTIVES' 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 Ms. Yu Lai Chu, Eileen, the wife of Mr. Tam Chie Sang.

(2) 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 Mr. Tam Chie Sang and 49% owned by his spouse Ms. Yu Lai Chu, Eileen, both are directors of the Company.

(3) These shares are registered in the name of Mr. Tam Chie Sang, the husband of Ms. Yu Lai Chu, Eileen.

(4) These shares are registered in the name of Mr. Yu Kam Shui, Erastus, the husband of Ms. Lai Yin Ping.

As at 30th September, 2012, 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 30 to the consolidated financial statements. On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced the old share option scheme that was expired on 22nd January, 2012. No share options under the Share Option Scheme were granted or exercised during the year ended 30th September, 2012, nor outstanding as at 30th September, 2012.

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, 2012, 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
Yu Lai Si	Beneficial owner	166,113,760	21.7%
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]	Beneficial owner	73,911,200	9.7%
Darby Overseas Investments, Ltd.[5]	Investment manager	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 Mr. Tam Chie Sang and 49% owned by his spouse, Ms. Yu Lai Chu, Eileen, both are directors of the Company.

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

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

(4) Luminary Capital Limited is a company incorporated in Hong Kong and is beneficially owned by Mr. Leung Pak To, Francis. Those shares are options granted by the Company to Luminary Capital Limited under a consultancy agreement entered between the Company, Luminary Capital Limited and Mr. Leung Pak To, Francis. The number of option shares entitled to be issued was adjusted to 73,911,200 option shares following the bonus shares issued on 30th March, 2010.

(5) Darby Overseas Investments, Ltd. is a company incorporated in Delaware, United States of America and is beneficially owned by Franklin Resources, Inc.. Pursuant to the Subscription Agreement dated on 27th April, 2010, those shares include i) 24,840,764 shares issued and alloted at a price of HK$1.57 per share; and ii) the convertible bond in an aggregate principal amount of HK$39,000,000, in which, upon full conversion, a total of 17,647,058 conversion shares will be issued.

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, 2012, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 81.3% 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, 2012, the distributable reserves of the Company amounted to approximately HK$36.4 million (2011: HK$70.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2012 amounted to approximately HK$255.2 million (2011: HK$325.0 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$292.4 million (2011: HK$321.0 million), is approximately 27.6% (2011: 24.9%).

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, 2012, the Group employed 930 staff (2011: 1,498). Salaries of employees are maintained at competitive levels whereas bonuses are granted on a discretionary basis with reference to the Group's operating results, individual performance and comparable market statistics. 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.

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.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. 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, 2012 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 Kam Shui, Erastus

Executive Director and Acting Chief Executive Officer

Hong Kong, 19th December, 2012

Independent Auditor's Report

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF WATER OASIS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Water Oasis Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 86, which comprise the consolidated statement of financial position as at 30th September, 2012, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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, 2012 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, 19th December, 2012

Consolidated Income Statement

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2012 HK$'000	2011 HK$'000
Turnover	8	**824,432**	985,339
Purchases and changes in inventories of finished goods		**(158,720)**	(201,309)
Other income		**8,432**	6,553
Other gains or losses	9	**41,050**	33,003
Staff costs	15	**(294,418)**	(288,135)
Depreciation of property, plant and equipment		**(31,309)**	(25,395)
Finance costs	10	**(6,442)**	(6,053)
Other expenses		**(319,002)**	(388,320)
Profit before taxation		**64,023**	115,683
Taxation	11	**(1,209)**	(34,509)
Profit for the year	12	**62,814**	81,174
Profit for the year attributable to:			
Owners of the Company		**67,981**	84,648
Non-controlling interests		**(5,167)**	(3,474)
		62,814	81,174
Earnings per share			
Basic and diluted	13	**8.9 HK cents**	11.1 HK cents

Consolidated Statement of Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2012	2011
	HK$'000	HK$'000
Profit for the year	**62,814**	81,174
Other comprehensive (expense) income:		
Exchange difference arising on translation of foreign operations	**(20)**	9,942
Reclassification adjustment upon disposal of subsidiaries	**(42)**	–
Total comprehensive income for the year	**62,752**	91,116
Total comprehensive income for the year attributable to:		
Owners of the Company	**67,872**	93,687
Non-controlling interests	**(5,120)**	(2,571)
	62,752	91,116

Consolidated Statement of Financial Position

	Notes	2012 HK$'000	2011 HK$'000
		AS AT 30TH SEPTEMBER,	
Non-current assets			
Intangible assets	17	**59,786**	59,250
Goodwill	18	**3,012**	3,978
Investment properties	19	**205,180**	189,560
Property, plant and equipment	20	**43,500**	44,248
Rental deposits	21	**31,600**	27,638
Deferred tax assets	32	**12,493**	6,637
		355,571	331,311
Current assets			
Inventories	22	**32,696**	69,969
Trade receivables	23	**35,635**	65,360
Prepayments		**48,554**	37,719
Other deposits and receivables		**19,093**	32,242
Tax recoverable		**1,777**	–
Bank balances and cash	24	**255,170**	324,982
		392,925	530,272
Asset classified as held for sale	25	**25,000**	–
		417,925	530,272
Current liabilities			
Trade payables	26	**4,942**	19,561
Accruals and other payables		**94,572**	145,819
Receipts in advance	27	**262,965**	251,812
Convertible bond	33	**46,407**	–
Secured mortgage loan	28	**34,385**	37,125
Tax payable		**19,057**	22,198
		462,328	476,515
Liabilities associated with asset classified as held for sale	25	**490**	–
		462,818	476,515
Net current (liabilities) assets		**(44,893)**	53,757
Total assets less current liabilities		**310,678**	385,068

Consolidated Statement of Financial Position
(Continued)

		AS AT 30TH SEPTEMBER,	
	Notes	**2012 HK$'000**	2011 HK$'000
Capital and reserves			
Share capital	29	**76,395**	76,395
Reserves		**204,436**	228,286
Equity attributable to owners of the Company		**280,831**	304,681
Non-controlling interests		**11,591**	16,336
Total equity		**292,422**	321,017
Non-current liabilities			
Pension obligations	31	**172**	225
Deferred tax liabilities	32	**18,084**	21,138
Convertible bond	33	**–**	42,688
		18,256	64,051
		310,678	385,068

The consolidated financial statements on pages 32 to 86 were approved and authorised for issue by the Board of Directors on 19th December, 2012 and are signed on its behalf by:

TAM Chie Sang
Executive Director

YU Kam Shui, Erastus
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve [c] HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve [d] HK$'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, 2010	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
Exchange difference arising on translation of foreign operations	–	–	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 [a]	–	–	–	–	–	–	–	–	–	–	6,989	6,989
Acquisition of additional equity interest in subsidiaries [b]	–	–	–	–	–	–	–	–	(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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**67,981**	**67,981**	**(5,167)**	**62,814**
Exchange difference arising on translation of foreign operations	**–**	**–**	**(67)**	**–**	**–**	**–**	**–**	**–**	**–**	**(67)**	**47**	**(20)**
Realised on disposal of subsidiaries	**–**	**–**	**(42)**	**–**	**–**	**–**	**–**	**–**	**–**	**(42)**	**–**	**(42)**
Total comprehensive income for the year	**–**	**–**	**(109)**	**–**	**–**	**–**	**–**	**–**	**67,981**	**67,872**	**(5,120)**	**62,752**
2011 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61,116)**	**(61,116)**	**–**	**(61,116)**
2012 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,378)**	**(34,378)**	**–**	**(34,378)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**3,772**	**–**	**–**	**3,772**	**–**	**3,772**
Deemed contribution from non-controlling shareholders of a subsidiary [a]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**640**	**640**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(265)**	**(265)**
	–	**–**	**–**	**–**	**–**	**–**	**3,772**	**–**	**(95,494)**	**(91,722)**	**375**	**(91,347)**
At 30th September, 2012	**76,395**	**38,879**	**21,999**	**(1,766)**	**450**	**1,797**	**35,305**	**1,347**	**106,425**	**280,831**	**11,591**	**292,422**

(a) The Group and the non-controlling shareholders waived the amounts due from certain subsidiaries on a proportionate basis in accordance with their shareholding interest in the relevant subsidiaries during the year ended 30th September, 2012 and 2011. The waiver of amounts due to the non-controlling shareholders was credited to equity as deemed contribution from the non-controlling shareholders accordingly.

(b) During the year ended 30th September, 2011, 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 and the fair value of consideration paid by the Company of approximately HK$285,000 for this acquisition was debited to retained profits.

(c) 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.

(d) 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, 2012 HK$'000	2011 HK$'000
Operating activities		
Profit before taxation	**64,023**	115,683
Adjustments for:		
Allowance for doubtful debts	**43**	–
Amortisation of intangible assets	**232**	391
Depreciation of property, plant and equipment	**31,309**	25,395
Gain on fair value change of investment properties	**(40,620)**	(32,090)
Interest expenses on secured mortgage loan	**767**	824
Effective interest expenses on convertible bond	**5,675**	5,229
Interest income on bank deposits	**(2,536)**	(1,106)
Loss on disposal/write-off of property, plant and equipment	**102**	20
Loss on disposal of subsidiaries	**789**	–
Loss on write-off of intangible assets	**426**	–
Equity-settled share-based payment expenses	**3,772**	17,653
Write-down of inventories	**15,311**	–
Operating cash flows before movements in working capital	**79,293**	131,999
Decrease in inventories	**22,004**	3,877
Decrease in trade receivables	**28,946**	14,754
Increase in rental deposits, prepayments, other deposits and receivables	**(1,696)**	(14,748)
(Decrease) increase in trade payables	**(13,960)**	7,407
(Decrease) increase in accruals and other payables	**(50,075)**	20,322
Increase in receipts in advance	**11,165**	26,506
Decrease in pension obligations	**(62)**	(62)
Cash generated from operations	**75,615**	190,055
Hong Kong Profits Tax paid	**(10,728)**	(4,018)
Other jurisdictions tax paid	**(3,905)**	(11,533)
Net cash from operating activities	**60,982**	174,504

Consolidated Statement of Cash Flows
(Continued)

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2012 HK$'000	2011 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(30,830)**	(24,889)
Increase in intangible assets	**(1,194)**	(88)
Disposal of subsidiaries	**(299)**	–
Interest received on bank deposits	**2,536**	1,106
Proceeds on disposal of property, plant and equipment	**2**	38
Capital expenditure on investment properties	**–**	(2,050)
Proceeds on disposal of investment properties	**–**	7,800
Net cash used in investing activities	**(29,785)**	(18,083)
Financing activities		
Dividends paid	**(95,494)**	(53,477)
Repayment of secured mortgage loan	**(2,740)**	(2,463)
Interest paid on convertible bond	**(1,956)**	(1,950)
Interest paid on secured mortgage loan	**(772)**	(755)
Net cash used in financing activities	**(100,962)**	(58,645)
Net (decrease) increase in cash and cash equivalents	**(69,765)**	97,776
Cash and cash equivalents at beginning of the year	**324,982**	217,536
Effect of foreign exchange rate changes	**(47)**	9,670
Cash and cash equivalents at end of the year, represented by bank balances and cash	**255,170**	324,982

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 skincare products in Hong Kong, Macau, Taiwan, Singapore and the People's Republic of China (the "PRC") and the operation of beauty salons, spa and medical beauty centres in Hong Kong and the PRC.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis as at 30th September, 2012, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

3. 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").

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HK(IFRIC)–Int 14	Prepayments of a Minimum Funding Requirement

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 the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

3. 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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013

[2] Effective for annual periods beginning on or after 1st January, 2015

[3] Effective for annual periods beginning on or after 1st July, 2012

[4] Effective for annual periods beginning on or after 1st January, 2014

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to HKAS 19 are effective for annual periods beginning on or after 1st January, 2013 and require retrospective application with certain exceptions. The directors anticipate that the adoption of amendments to HKAS 19 will have no material impact on the Group's consolidated financial statements.

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

4. 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 in full 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 (effective from 1st October, 2010 onwards).

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.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. 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 groups 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 prorata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss in consolidated income statement. An impairment loss recognised 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 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 profit or loss 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$) using exchange rates prevailing at the end of the reporting period, and their income and expenses items 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 under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sales

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

For investment properties measured using the fair value model being classified as held for sale, they are scoped out from the measurement provision of HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and accordingly continue to be accounted for in accordance with the fair value model in HKAS 40 "Investment Property".

Investment Properties

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

Investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss 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 property (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 in the consolidated statement of financial position 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.

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 the 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 asset and is recognised in profit or loss.

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 below). Amortisation for such licenses is provided on a straight-line method over the license period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

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 assets are their fair values at the acquisition date.

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss 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.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 considered to be 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; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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.

4. 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 profit or loss 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 profit or loss. 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 profit or loss.

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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

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, to the net carrying amount on initial recognition.

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 in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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).

4. 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 profit or loss 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 relative 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 and secured mortgage loan are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

4. 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 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 difference 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.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 sale. 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 sale. 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).

4. 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 the PRC 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 reduced 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 profit or loss in the period to which the contributions relate.

Share-based compensation

Share options issued in exchange for goods or services are measured at their fair values of the goods or services received, unless that fair value cannot be reliably measured, in which cases the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve) when the Group obtains the goods or 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.

4. 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 supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits expired or are redeemed and the Group's obligations have been fulfilled.

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

Revenue from rendering of services is recognised when the services are rendered. Fees received in advance for prepaid packages are recorded as liabilities and are recognised on a systematic basis in accordance with service usage. Upon expiry of prepaid packages, the corresponding receipts in advance are fully recognised as revenue.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 profit or loss 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make 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.

Key Sources 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.

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.

Depreciation

The Group's carrying value of leasehold improvements as at 30th September, 2012 was approximately HK$26,892,000 (2011: HK$28,148,000). 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 previously estimated useful lives.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key Sources of Estimation Uncertainty (Continued)

Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 30th September, 2012 at their fair value, details of which are disclosed in note 19. 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.

Recoverability of Deferred Tax Assets

At the end of the reporting period, the Group had unused tax losses of approximately HK$117,728,000 (2011: HK$102,724,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$41,389,000 (2011: HK$25,649,000) of such losses. Determining whether deferred tax assets with carrying amounts of approximately HK$9,626,000 as at 30th September, 2012 (2011: HK$4,392,000) 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.

Useful Lives of Intangible Assets

As at 30th September, 2012, the carrying amounts of the Group's intangible assets with definite and indefinite useful lives are approximately HK$890,000 (2011: HK$354,000) and HK$58,896,000 (2011: 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 17.

6. 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 28 and 33 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.

6. 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.

7. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**296,092**	404,541
Financial liabilities		
Amortised cost (including liability component of the convertible bond)	**108,766**	150,905

(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 and convertible bond. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risks (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit Risk

As at 30th September, 2012, 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 customer 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 customer credit risk by geographical locations is mainly in Hong Kong and the PRC which accounted for 92% (2011: 93%) of the total trade receivables as at 30th September, 2012.

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

7. FINANCIAL INSTRUMENTS (Continued)

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

(ii) Market Risks

Currency Risk

The functional currency of the Group's principal subsidiaries is either HK$ or Renminbi ("RMB"). While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. At the end of the reporting period, certain bank balances, trade receivables and trade payables of the Group are 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 currency of the relevant group entities are as follows:

	2012 HK$'000	2011 HK$'000
Assets		
United States Dollars ("US$")	**2,390**	4,443
Japanese Yen ("Yen")	**10,421**	–
Liabilities		
US$	**4,709**	9,288
Yen	**–**	9,839

Sensitivity analysis

The Group is mainly exposed to the fluctuation of Yen.

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to HK$ and 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$ and RMB against Yen will have the following decrease (2011: increase) profit for the year and vice versa.

	2012 HK$'000	2011 HK$'000
HK$ and RMB against Yen	**435**	374

7. 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 24 and 28 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 28.

Sensitivity analysis

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

	2012 **HK$'000**	2011 HK$'000
Financial assets	**187,920**	180,903
Financial liabilities	**34,385**	37,125

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, 2012 would decrease by HK$144,000 (2011: HK$155,000) 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.

7. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity Risk (Continued)

The directors of the Company are taking active steps to improve the future liquidity position of the Company by generating sufficient operating funds internally, details of which are set out in note 2.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	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, 2012 HK$'000
2012								
Trade payables	–	1,534	3,408	–	–	–	4,942	4,942
Other payables	–	23,032	–	–	–	–	23,032	23,032
Secured mortgage loan	2.15	34,385	–	–	–	–	34,385	34,385
Convertible bond	13.68	–	988	48,977	–	–	49,965	46,407
		58,951	4,396	48,977	–	–	112,324	108,766

	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								
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

7. 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
2012	**2.15**	**293**	**585**	**2,635**	**14,052**	**21,079**	**38,644**	**34,385**
2011	2.15	293	585	2,635	14,052	24,591	42,156	37,125

(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.

8. TURNOVER AND SEGMENT INFORMATION

Information reported to the Group's Executive Directors, being the chief operating decision maker, in respect of the Group's business is focused on operation mode. The Group's operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

(i) Retail segment – the retail sales of skincare 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:

	2012 HK$'000	2011 HK$'000
Turnover		
Retail segment	**399,475**	590,993
Services segment	**424,957**	394,346
	824,432	985,339

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.

On 20th January, 2012, the Company made an announcement mentioning that the distributorship rights of h_2o+ for the PRC and Taiwan would be terminated during the year. However, the Group still continues its business strategy of operating its retail sales of skincare products in these two geographic markets by building up its own brands and through business franchises.

8. TURNOVER AND SEGMENT INFORMATION (Continued)

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

	Retail segment		Services segment		Elimination		Consolidation	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Sales to external customers	399,475	590,993	424,957	394,346	–	–	824,432	985,339
Inter-segment sales	24,348	23,069	–	–	(24,348)	(23,069)	–	–
Total	423,823	614,062	424,957	394,346	(24,348)	(23,069)	824,432	985,339
Segment results	(17,960)	52,343	113,605	112,769	–	–	95,645	165,112
Other income							8,432	6,553
Other gains or losses							41,050	33,003
Finance costs							(6,442)	(6,053)
Central administrative costs							(74,662)	(82,932)
Profit before taxation							64,023	115,683

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of income, gains or losses of the corporation function, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Group's Executive 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		Consolidation	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property, plant and equipment	18,802	14,508	12,507	10,887	31,309	25,395
Amortisation of intangible assets	232	391	–	–	232	391
Write-down of inventories	15,311	–	–	–	15,311	–

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong, Macau, the PRC, 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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong and Macau	**591,127**	552,139	**268,262**	247,183
The PRC	**196,169**	386,187	**10,909**	13,809
Taiwan	**31,045**	40,124	**1,995**	798
Singapore	**6,091**	6,889	**4**	10
	824,432	985,339	**281,170**	261,800

Information about major customers

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

9. OTHER GAINS OR LOSSES

	2012 HK$'000	2011 HK$'000
Loss on disposal of subsidiaries	**(789)**	–
Gain on fair value change of investment properties	**40,620**	32,090
Loss on disposal/write-off of property, plant and equipment	**(102)**	(20)
Net exchange gain	**1,747**	933
Loss on write-off of intangible assets	**(426)**	–
	41,050	33,003

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on secured mortgage loan	**767**	824
Effective interest expenses on convertible bond (note 33)	**5,675**	5,229
	6,442	6,053

11. TAXATION

	2012 HK$'000	2011 HK$'000
Current taxation		
Hong Kong Profits Tax	**11,999**	14,167
Other jurisdictions *(Note (i))*	**(1,840)**	11,063
(Over) under provision in prior years	**(353)**	6
	9,806	25,236
Deferred taxation (note 32)		
Current year	**(8,597)**	9,273
	1,209	34,509

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward from prior years.

11. TAXATION (Continued)

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2011: 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% in 2011. The preferential rate was increased to 25% in the year 2012 pursuant to the relevant government notices.

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 32.

Taxation on profits generated outside Hong Kong 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:

	2012 HK$'000	2011 HK$'000
Profit before taxation	**64,023**	115,683
Tax at Hong Kong Profits Tax rate of 16.5%	**10,564**	19,088
Effect of different tax rates applied in other jurisdictions	**(3,741)**	1,934
Tax effect of income not taxable for tax purpose	**(7,284)**	(6,201)
Tax effect of expenses not deductible for tax purpose	**2,087**	2,997
Utilisation of tax losses previously not recognised	**(1,140)**	(232)
Tax effect of tax losses not recognised	**2,885**	7,098
(Over) under provision in prior years	**(353)**	6
Effect of tax reduction granted to subsidiaries	**–**	(808)
Reversal of deferred tax assets previously recognised *(Note (ii))*	**–**	6,233
Tax effect of withholding tax arising from undistributable profit of subsidiaries	**(3,058)**	2,803
Income tax at preferential rates	**141**	(367)
Others	**1,108**	1,958
Taxation for the year	**1,209**	34,509

Note:

(i) For the year ended 30th September, 2012, included in Other jurisdictions under current taxation was an income tax credit recognised in respect of overpayment of PRC Enterprise Income Tax by a PRC subsidiary of the Company based on the assessment of the local PRC tax authority.

(ii) During the year ended 30th September, 2011, 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.

12. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,681**	1,601
Amortisation of intangible assets	**232**	391
Allowance for doubtful debts	**43**	–
Write-down of inventories *(Note)*	**15,311**	–
Loss on write-off of intangible assets	**426**	–
Equity-settled share-based payment expenses	**3,772**	17,653
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**105,352**	94,396
– contingent rent	**5,728**	5,682
and after crediting:		
Interest income on bank deposits	**2,536**	1,106
Rental income from investment properties	**5,160**	2,033

Note: The figure comprised the write-down of inventories in relation to the termination of distributorship rights of h_2o+ in the PRC and Taiwan as set out in note 8.

13. 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:

	2012 HK$'000	2011 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**67,981**	84,648

	Number of shares	
Number of ordinary shares for the purpose of basic and diluted earnings per share	**763,952,764**	763,952,764

No diluted earnings per share has been presented for both years because the computation of diluted earnings per share does not assume:

(i) the exercise of the Company's outstanding share options since the exercise price of those options was higher than the average price for the corresponding period;

(ii) the conversion of the Company's outstanding convertible bond since its exercise would result in an increase in earnings per share.

14. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend declared and paid of 4.5 HK cents (2011: 3.0 HK cents) per share	**34,378**	22,919
Final dividend proposed after the end of the reporting period of 4.0 HK cents (2011: 8.0 HK cents) per share	**30,558**	61,116
	64,936	84,035

The 2012 final dividend of 4.0 HK cents (2011: 8.0 HK cents) per share, amounting to approximately HK$30,558,000 (2011: HK$61,116,000), 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 during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2012 were approximately HK$95,494,000 (2011: HK$53,477,000).

15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Wages, salaries, bonuses and allowances	**275,635**	271,837
Pension costs – defined benefit plan (note 31)	**(62)**	(62)
Pension costs – defined contribution plans	**17,968**	16,456
Unutilised annual leave	**877**	(96)
	294,418	288,135

16. 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	2012 Total emoluments HK$'000	2011 Total emoluments HK$'000
Yu Kam Shui, Erastus(4)	–	897	846	13	**1,756**	1,497
Yu Lai Si(6)	–	6,745	3,386	11	**10,142**	10,267
Tam Chie Sang	–	897	846	13	**1,756**	1,497
Yu Lai Chu, Eileen	–	897	846	13	**1,756**	1,497
Lai Yin Ping	–	897	846	13	**1,756**	1,497
Wong Lung Tak, Patrick, B.B.S., J.P.(1)(2)(3)(4)(5)	188	–	–	–	**188**	150
Wong Chun Nam, Duffy, J.P.(1)(2)(3)(4)(5)	188	–	–	–	**188**	150
Wong Chi Keung(1)(2)(3)(4)(5)	188	–	–	–	**188**	150
Total for the year 2012	564	10,333	6,770	63	**17,730**	
Total for the year 2011	450	11,493	4,702	60		16,705

(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
(5) Members of the Company's Nomination Committee
(6) Resigned on 6th July, 2012

Details of the Company's share option scheme are disclosed in note 30.

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

(b) Five Highest Paid Individuals

The highest paid individual of the Group for both years was the Company's Executive Director, Ms. Yu Lai Si (resigned on 6th July, 2012), of which her emoluments had been reflected in the analysis presented above. Emoluments payable to the remaining four (2011: four) individuals during the year were as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, housing and other allowances	**9,481**	9,375
Bonuses	**1,956**	313
Retirement benefit costs	**52**	48
	11,489	9,736

Their emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	4	4

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.

17. INTANGIBLE ASSETS

	License fees HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1st October, 2010	6,972	58,896	65,868
Additions	88	–	88
At 30th September, 2011	7,060	58,896	65,956
Additions	**1,194**	**–**	**1,194**
Eliminated on write-off	**(7,251)**	**–**	**(7,251)**
At 30th September, 2012	**1,003**	**58,896**	**59,899**
ACCUMULATED AMORTISATION			
At 1st October, 2010	6,315	–	6,315
Charged for the year	391	–	391
At 30th September, 2011	6,706	–	6,706
Charged for the year	**232**	**–**	**232**
Eliminated on write-off	**(6,825)**	**–**	**(6,825)**
At 30th September, 2012	**113**	**–**	**113**
CARRYING VALUE			
At 30th September, 2012	**890**	**58,896**	**59,786**
At 30th September, 2011	354	58,896	59,250

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 support 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 indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they 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 18. In the opinion of management, the trademarks have no impairment for both periods.

18. GOODWILL

	HK$'000
COST	
At 1st October, 2010 and 30th September, 2011	3,978
Disposal of subsidiaries (note 34)	(966)
At 30th September, 2012	3,012

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

(i) CGU-A: advertising business included in the Group's services segment of HK$966,000 and disposed of during the year

(ii) CGU-B: a brand of product and service line acquired during the year ended 30th September, 2010 of HK$3,012,000

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

As at 30th September, 2011, the recoverable amount of the CGU-A was 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. During the year, goodwill attributable to the CGU-A was derecognised upon disposal of subsidiaries as set out in note 34.

In addition to goodwill, CGU-B also includes the trademarks as set out in note 17 which were acquired in the same business combination during the year ended 30th September, 2010. As at 30th September, 2011 and 2012, the recoverable amount of CGU-B was 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% (2011: 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.

For the year ended 30th September, 2012 and 2011, management of the Group has determined that there are no impairments required to be recognised for any of its CGU containing goodwill or trademarks with indefinite useful lives.

19. INVESTMENT PROPERTIES

	2012 HK$'000	2011 HK$'000
FAIR VALUE		
At the beginning of the year	**189,560**	163,220
Addition	**–**	2,050
Disposal	**–**	(7,800)
Reclassification to asset classified as held for sale (note 25)	**(25,000)**	–
Increase in fair value recognised in the consolidated income statement	**40,620**	32,090
At the end of the year	**205,180**	189,560

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

	2012 HK$'000	2011 HK$'000
In Hong Kong, held on:		
Leases of 50 years	**14,960**	38,560
Leases of over 50 years	**190,220**	151,000
	205,180	189,560

The fair value of the Group's investment properties as at 30th September, 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited.

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.

20. PROPERTY, PLANT AND EQUIPMENT

	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, 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
Additions	**22,871**	**500**	**864**	**5,898**	**697**	**30,830**
Eliminated on disposals	**–**	**–**	**–**	**(3)**	**(62)**	**(65)**
Eliminated on disposal of a subsidiary	**(258)**	**–**	**(242)**	**–**	**(44)**	**(544)**
Eliminated on write-off	**(43,297)**	**–**	**(2,838)**	**(148)**	**(1,028)**	**(47,311)**
Exchange realignment	**337**	**4**	**42**	**5**	**30**	**418**
At 30th September, 2012	**113,391**	**4,036**	**9,995**	**46,466**	**11,758**	**185,646**
Accumulated depreciation						
At 1st October, 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
Provided for the year	**24,053**	**136**	**1,592**	**4,422**	**1,106**	**31,309**
Eliminated on disposals	**–**	**–**	**–**	**(2)**	**(60)**	**(62)**
Eliminated on disposal of a subsidiary	**(186)**	**–**	**(164)**	**–**	**(31)**	**(381)**
Eliminated on write-off	**(43,297)**	**–**	**(2,837)**	**(62)**	**(1,014)**	**(47,210)**
Exchange realignment	**339**	**4**	**40**	**9**	**28**	**420**
At 30th September, 2012	**86,499**	**3,485**	**8,500**	**34,557**	**9,105**	**142,146**
Carrying value						
At 30th September, 2012	**26,892**	**551**	**1,495**	**11,909**	**2,653**	**43,500**
At 30th September, 2011	28,148	187	2,300	10,524	3,089	44,248

20. 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 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%

21. RENTAL DEPOSITS

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

22. INVENTORIES

	2012 HK$'000	2011 HK$'000
Finished goods – merchandises	**32,696**	69,969

23. TRADE RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**36,436**	66,138
Less: allowances for bad and doubtful debts	**(801)**	(778)
Total trade receivables	**35,635**	65,360

23. TRADE RECEIVABLES (Continued)

The Group generally allows its trade debtors credit terms of 30 days to 90 days. 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:

	2012 HK$'000	2011 HK$'000
0 to 30 days	**28,332**	51,430
31 days to 60 days	**1,476**	7,601
61 days to 90 days	**46**	1,867
Over 90 days	**5,781**	4,462
	35,635	65,360

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$5,781,000 (2011: HK$4,462,000) which were aged over 90 days and past due but not required impairment as at the reporting date. The Group does not hold any collateral over these balances.

Movement in the allowance for trade receivables:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**778**	778
Impairment loss recognised	**43**	–
Disposal of subsidiaries	**(20)**	–
Balance at end of the year	**801**	778

24. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 1.4% (2011: 0.7%) per annum.

25. ASSET CLASSIFIED AS HELD FOR SALE / LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

On the 24th September, 2012, the Group entered into a provisional sales agreement with an independent third party to dispose of an investment property at a consideration of HK$25,000,000. Accordingly, the relevant property interest of HK$25,000,000 was reclassified from investment properties to asset classified as held for sale in the consolidated statement of financial position as at 30th September, 2012. In addition, the balance of HK$490,000 was classified as liabilities associated with asset classified as held for sale in the consolidated statement of financial position at 30th September, 2012. The above disposal was completed on 8th November, 2012.

26. TRADE PAYABLES

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

	2012 HK$'000	2011 HK$'000
0 to 30 days	**4,942**	19,561

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 within the credit time frame.

27. RECEIPTS IN ADVANCE

The balance represents proceeds from sales of gift coupons not yet redeemed and money received in advance for beauty salon services, skincare products and other related services.

28. SECURED MORTGAGE LOAN

	2012 HK$'000	2011 HK$'000
Analysed for reporting purpose as current liabilities	**34,385**	37,125

The Group's secured mortgage loan contains a repayment on demand clause and is accordingly classified as current liability. The contractual maturity analysis of this loan is set out in note 7.

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

	2012 HK$'000	2011 HK$'000
Within 1 year	**3,038**	2,971
1 year to less than 2 years	**2,867**	2,807
2 years to less than 3 years	**2,930**	2,867
3 years to less than 4 years	**2,993**	2,930
4 years to less than 5 years	**3,058**	2,993
5 years or more	**19,499**	22,557
	34,385	37,125

28. SECURED MORTGAGE LOAN (Continued)

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment property with a carrying value of HK$190,220,000 as at 30th September, 2012 (2011: HK$151,000,000). It bears interest at 2.85% below the bank's Best Lending Rate per annum. The effective interest rate is approximately 2.15% (2011: 2.15%) per annum.

29. SHARE CAPITAL

	Authorised share capital	
	Number of shares	HK$'000
Ordinary shares of HK$0.1 each		
At 1st October, 2010	1,000,000,000	100,000
Increase on 8th February, 2011 *(Note)*	1,000,000,000	100,000
At 30th September, 2011 and 2012	2,000,000,000	200,000

	Issued and fully paid ordinary shares	
	Number of shares	HK$'000
At 1st October, 2010, 30th September, 2011 and 2012	763,952,764	76,395

Note:

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.

30. SHARE OPTIONS

(i) On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced an old share option scheme that expired on 22nd January, 2012. 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 23rd February, 2022, at its discretion, offer to grant options at an option price of HK$1.00 to any executives and full-time employees, part time employees with weekly working hours of 10 hours and above, executive or non-executive directors of the Company or any of its subsidiaries, any advisors (professional or otherwise), 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 on which the Share Option Scheme was conditionally adopted pursuant to the resolution of the shareholders of the Company in general meeting held on 24th February, 2012. The subscription price shall be the highest of (i) the closing price of the shares of the Company on the Stock Exchange on the date of the grant of options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five business days immediately preceding the date of the grant of options; and (iii) 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 must not exceed 30% of the total number of shares in issue from time to time.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 24th February 2012. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) within any twelve-month period under the Share Option Scheme and any other share option scheme(s) of the Company and/or any of its subsidiaries must not exceed 1% of the number of shares in issue.

No share options under the Share Option Scheme were granted or exercised during the year nor outstanding as at 30th September, 2012.

(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, whereby an option was granted by the Company to the Advisor in return for its general consultancy and financial advisory services provided to the Group for a period of 24 months (the "Option"). The Option entitles the Advisor the right to require the Company to issue up to 36,955,600 option shares at an option price of HK$2.26 per option share during a 36 months' period from 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 was determined at the date of grant using the Binomial Option Pricing Model at approximately HK$35,305,000. An option expense of approximately HK$3,772,000 (2011: HK$17,653,000) 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.

31. 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 per month before 1st June, 2012 and HK$1,250 per month, commencing from 1st June, 2012 as a mandatory contribution 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, 2012 and 2011 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, 2012 has been recognised in the consolidated income statement in 2012.

(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:

	2012 HK$'000	2011 HK$'000
Present value of defined benefit obligations	**235**	202
Fair value of plan assets	**(781)**	(746)
Present value of defined benefit obligations	**(546)**	(544)
Unrecognised actuarial gains	**718**	769
Liability in the consolidated statement of financial position	**172**	225

31. 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:

	2012 HK$'000	2011 HK$'000
Interest cost	**4**	4
Expected return on plan assets	**(14)**	(13)
Net actuarial gain	**(52)**	(53)
Total gain recognised in the consolidated income statement (note 15)	**(62)**	(62)

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

	2012 HK$'000	2011 HK$'000
At the beginning of the year	**225**	274
Exchange realignment	**9**	13
Total gain included in staff costs (note 15)	**(62)**	(62)
At the end of the year	**172**	225

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

	2012 %	2011 %
Discount rate	**1.70**	1.80
Expected rate of return on plan assets	**1.70**	1.80
Expected rate of future salary increase	**2.25**	2.25

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

	2012 HK$'000	2011 HK$'000
At the beginning of the year	**202**	206
Exchange realignment	**8**	10
Interest cost	**4**	4
Actuarial loss (gain)	**21**	(18)
At the end of the year	**235**	202

31. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

(vi) The actuarial valuation shows that the market value of plan assets was approximately HK$781,000 (2011: HK$746,000). The movements in the fair value of the plan assets during the year are as follows:

	2012 HK$'000	2011 HK$'000
At the beginning of the year	**746**	704
Exchange realignment	**28**	35
Expected return on plan assets	**14**	13
Actuarial loss	**(7)**	(6)
At the end of the year	**781**	746

(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:

	2012 %	2011 %
Deposits with financial institutions	**21.77**	24.42
Short term bills	**12.42**	6.73
Stocks	**9.28**	9.40
Bonds	**11.51**	11.52
Others	**45.02**	47.93
	100.00	100.00

32. 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$'000	Convertible bond HK$'000 *(Note)*	Undistributable profit of subsidiaries HK$'000	Total HK$'000
At 1st October, 2010	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)
Exchange realignment	–	29	–	–	(38)	(9)
(Charged) credited to the consolidated income statement	(280)	5,205	–	614	3,058	8,597
Reclassification to liabilities associated with asset classified as held for sale	322	–	–	–	–	322
At 30th September, 2012	943	9,626	(9,718)	1,225	(7,667)	(5,591)

Note: The deferred tax asset on convertible bond represents 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 they relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**12,493**	6,637
Deferred tax liabilities	**(18,084)**	(21,138)
	(5,591)	(14,501)

At the end of the reporting period, the Group had unused tax losses of approximately HK$117,728,000 (2011: HK$102,724,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$41,389,000 (2011: HK$25,649,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$76,339,000 (2011: HK$77,075,000) due to the unpredictability of future profit streams.

33. 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. 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 as below:

	HK$'000
At 1st October, 2010	39,409
Interest charge (note 10)	5,229
Interest paid	(1,950)
At 30th September, 2011	42,688
Interest charge (note 10)	5,675
Interest paid	(1,956)
At 30th September, 2012	46,407

34. DISPOSAL OF SUBSIDIARIES

On 31st July, 2012, the Group entered into sale and purchase agreements to dispose of its 60% equity interest in Oasis Brand Communications Company Limited and 深圳市奧貝思廣告有限公司 ("深圳奧貝思") at a cash consideration of HK$1,000. Both of these subsidiaries carried out the advertising business and their current year results before disposal were included in the Group's service segments that set out in note 8. The disposal was completed on the same date, on which control of these subsidiaries was lost. Net cash outflow arising on disposal amounted to approximately HK$299,000.

Pursuant to the sale and purchase agreement dated 31st July, 2012, the Group and the non-controlling shareholders waived the amount due from 深圳奧貝思 of HK$960,000 and HK$640,000 respectively, on a proportionate basis at the date of disposal. After taking into account of such waiver, loss on disposal of subsidiaries, amounting to approximately HK$789,000, was recognised in the profit or loss during the year.

35. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying value of the Group's asset which was pledged to secure a mortgage loan is as follows:

	2012 **HK$'000**	2011 HK$'000
Investment property	**190,220**	151,000

36. COMMITMENTS AND ARRANGEMENTS

(a) Capital Commitments

	2012 **HK$'000**	2011 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**334**	46

(b) Commitments and Arrangements under Operating Leases

At the end of the reporting period, 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**	**2012** **HK$'000**	2011 HK$'000
Not later than 1 year	**3,067**	5,160
More than 1 year and not later than 5 years	**–**	3,325
	3,067	8,485

36. COMMITMENTS AND ARRANGEMENTS (Continued)

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

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

As lessees Rental payments	2012 HK$'000	2011 HK$'000
Not later than 1 year	**101,392**	99,530
More than 1 year and not later than 5 years	**93,304**	104,347
	194,696	203,877

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.

37. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period 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

37. 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 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%	Inactive
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 skincare products in Hong Kong
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 skincare 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 skincare products in Macau

37. 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 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	The PRC 9th February, 2002	US$200,000	90.1%	Retail sales of skincare products in the PRC
奧泉（上海）商貿有限公司	The PRC 9th March, 2006	US$200,000	100%	Retail sales of skincare products and operating of beauty salons in the PRC
Water Oasis (Singapore) Pte. Limited	Singapore 6th November, 2003	Ordinary shares S$300,000	100%	Retail sales of skincare 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 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
WO North China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding and trading in Hong Kong
WO 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	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in Hong Kong

37. 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 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	The PRC 5th February, 2009	US$500,000	100%	Inactive
伊亮諾化妝品商貿（上海）有限公司	The PRC 5th February, 2009	US$500,000	100%	Inactive
伊翠露化妝品商貿（上海）有限公司	The 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 skincare products in Hong Kong
上海奧薇化妝品商貿有限公司	The PRC 22nd April, 2009	US$1,400,000	75%	Retail sales of cosmetic products in the PRC
Water Oasis Shanghai Holdings Limited	Hong Kong 9th September, 2009	Ordinary share HK$1	90.1%	Inactive
Glycel Holdings Company 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	Hong Kong 19th February, 2010	Ordinary shares HK$1,000,000	100%	Retail sales of skincare products and operating of beauty salons in Hong Kong

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

38. RELATED PARTY TRANSACTION

Key management personnel compensation

	2012 HK$'000	2011 HK$'000
Basic salaries and housing allowances	**10,333**	11,493
Bonuses	**6,770**	4,702
Retirement benefit costs	**63**	60
	17,166	16,255

39. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into a provisional sale and purchase agreement dated 23rd November, 2012 to dispose of an investment property to an independent third party at a cash consideration of HK$14,000,000. Up to the date of the consolidated financial statements as approved by the Board of Directors, the transaction has not yet been completed.

Five-Year Financial Summary

	Year ended 30th September,				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**824,432**	985,339	911,878	920,955	846,569
Profit before taxation	**64,023**	115,683	71,275	101,160	100,291
Taxation	**(1,209)**	(34,509)	(6,561)	(17,090)	(21,455)
Profit for the year	**62,814**	81,174	64,714	84,070	78,836
Profit for the year attributable to:					
Owners of the Company	**67,981**	84,648	66,501	81,630	71,905
Non-controlling interests	**(5,167)**	(3,474)	(1,787)	2,440	6,931
	62,814	81,174	64,714	84,070	78,836
STATEMENT OF FINANCIAL POSITION					
Total assets	**773,496**	861,583	732,083	539,375	522,815
Total liabilities	**(481,074)**	(540,566)	(473,062)	(340,465)	(331,758)
	292,422	321,017	259,021	198,910	191,057
Equity attributable to owners of the Company	**280,831**	304,681	246,916	185,980	182,342
Non-controlling interests	**11,591**	16,336	12,105	12,930	8,715
	292,422	321,017	259,021	198,910	191,057

Corporate Information

DIRECTORS

Executive Directors

Yu Kam Shui, Erastus
Tam Chie Sang
Yu Lai Chu, Eileen
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 Kam Shui, Erastus

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Kwong Yee Man

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Deacons
Reed Smith Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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