

NOTES TO THE ACCOUNTS

13. INVESTMENTS IN SUBSIDIARIES COMPANY

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	3,000	3,000
Amount due from a subsidiary	5,000	5,000
	8,000	8,000
Amounts due from subsidiaries	43,987	44,948
Amounts due to subsidiaries	(7,203)	(2,151)
	44,784	50,797

Details of the principal subsidiaries are set out in Note 28.

The amount due from a subsidiary of HK\$5,000,000 (2003: HK\$5,000,000) is unsecured, non-interest bearing, and is not repayable within one year.

The amounts due from/to subsidiaries classified as current assets/liabilities are unsecured, interest-free and are repayable on demand.

14. OTHER INVESTMENT GROUP

Other investment represents investment in a capital guaranteed fund stated at cost. As at 30th September 2004, the market value of other investment was approximately HK\$487,000 (2003: HK\$462,000).

15. INVENTORIES GROUP

	2004 HK\$'000	2003 HK\$'000
Finished goods – merchandises	31,057	32,906

As at 30th September 2004 and 2003, all inventories were stated at cost.

16. TRADING INVESTMENTS GROUP

	2004 HK\$'000	2003 HK\$'000
Equity securities: Listed in Hong Kong	6,772	220

Trading investments are stated at market value at the balance sheet date.

17. ACCOUNTS RECEIVABLE GROUP

Details of the aging analysis are as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	22,277	21,048
31 days to 60 days	1,205	729
61 days to 90 days	1,610	1,012
Over 90 days	80	250
	25,172	23,039

Credit terms generally range from 30 days to 90 days.

18. ACCOUNTS PAYABLE GROUP

Details of the aging analysis are as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	6,583	3,943

19. RECEIPTS IN ADVANCE GROUP

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

NOTES TO THE ACCOUNTS

20. LONG-TERM BANK LOAN GROUP

	2004 HK\$'000	2003 HK\$'000
Total of long-term bank loan – secured	18,687	–
Current portion of long-term bank loan	(1,950)	–
	16,737	–

At 30th September 2004, the Group's long-term bank loan was repayable as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,950	–
In the second year	1,950	–
In the third to fifth year	5,850	–
After the fifth year	8,937	–
	18,687	–
Current portion of long-term bank loan	(1,950)	–
	16,737	–

The long-term bank loan was secured by an investment property of the Group.

21. SHARE CAPITAL COMPANY

	2004 HK\$'000	2003 HK\$'000
Authorised: 1,000,000,000 (2003: 1,000,000,000) ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid: 342,116,000 (2003: 321,900,000) ordinary shares of HK\$0.1 each	34,212	32,190

Movement in issued and fully paid share capital of the Company is as follow:

	Issued and fully paid ordinary shares	
	No. of shares	HK\$'000
At 1 st October 2003	321,900,000	32,190
Placing of new shares (Note (a))	15,000,000	1,500
Issue of new shares pursuant to the Company's share option scheme (Note (b))	5,216,000	522
At 30 th September 2004	342,116,000	34,212

Note:

- (a) During the year, 15,000,000 ordinary shares of HK\$0.1 each were issued at HK\$0.5 per share through a private placing to independent third parties. Proceeds from the placing were fully used up for general working capital purposes.
- (b) During the year, a total of 5,216,000 ordinary shares of HK\$0.1 each were also issued at the applicable option prices pursuant to the Company's share option scheme adopted on 23rd January 2002.

NOTES TO THE ACCOUNTS

21. SHARE CAPITAL (continued)

- (c) The Company's share option scheme (the "Share Option Scheme") was adopted on 23rd January 2002. The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the Share Option Scheme, the Board of Directors may, on or before 22nd January 2012, at its discretion, offer to grant options at an option price of HK\$1.00 to any employees, directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any advisor (professional or otherwise) or consultant, distributors, suppliers, agents, customers, partners, joint venture partners, promoter, service provider to subscribe for shares of the Company, representing (when aggregated with options granted under any other scheme) initially not more than 10% of the shares in issue as at the date of the listing of the shares. The subscription price shall be the higher of the average of the closing prices of the share of the Company on the Stock Exchange for the five trading days immediately preceding the date of the offer of options and the nominal value of the shares. The maximum aggregate number of shares issued and to be issued on the exercise of options and in respect of which options may be granted under the Share Option Scheme may not exceed 30% of the total number of shares in issue from time to time excluding any shares issued on the exercise of options.

Details of the movements in share options during the year are as follows:

Category	Date of grant	Exercise period	Exercise price per share HK\$	As at 1 st October 2003	Granted	Exercised	Cancelled/ Lapsed	As at 30 th September 2004
Directors	30 th August 2002	28 th February 2003 – 29 th August 2007	0.52	9,000,000	-	3,900,000	-	5,100,000
	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	10,200,000	-	-	10,200,000
				9,000,000	10,200,000	3,900,000	-	15,300,000
Supplier	11 th March 2002	11 th March 2002 – 10 th March 2012	1.18	3,264,000	-	-	-	3,264,000
	12 th March 2003	12 th March 2003 – 11 th March 2013	0.54	976,000	-	-	-	976,000
				4,240,000	-	-	-	4,240,000
Employees (in aggregate)	26 th April 2002	26 th October 2002 – 25 th April 2007	1.67	750,000	-	-	-	750,000
	26 th April 2002	26 th April 2003 – 25 th April 2007	1.67	750,000	-	-	-	750,000
	30 th August 2002	28 th February 2003 – 29 th August 2007	0.52	2,980,000	-	1,196,000	300,000	1,484,000
	30 th August 2002	31 st August 2003 – 29 th August 2007	0.52	2,980,000	-	120,000	300,000	2,560,000
	30 th August 2002	29 th February 2004 – 29 th August 2007	0.52	1,980,000	-	-	420,000	1,560,000
	28 th January 2004	3 rd May 2004 – 31 st January 2009	0.42	-	1,220,000	-	60,000	1,160,000
	28 th January 2004	1 st November 2004 – 31 st January 2009	0.42	-	1,220,000	-	60,000	1,160,000
	28 th January 2004	2 nd May 2005 – 31 st January 2009	0.42	-	920,000	-	60,000	860,000
				9,440,000	3,360,000	1,316,000	1,200,000	10,284,000

22. RESERVES GROUP

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2002, as previously reported	21,950	(420)	(1,766)	–	106,683	126,447
Effect of adoption of SSAP 12	–	–	–	–	629	629
At 1 st October 2002, as restated	21,950	(420)	(1,766)	–	107,312	127,076
Loss attributable to shareholders, as restated	–	–	–	–	(7,097)	(7,097)
Repurchase of shares	(2,902)	–	–	450	(450)	(2,902)
2002 final dividend	–	–	–	–	(3,219)	(3,219)
2003 interim dividend	–	–	–	–	(1,610)	(1,610)
Exchange differences	–	(787)	–	–	–	(787)
At 30 th September 2003, as restated	19,048	(1,207)	(1,766)	450	94,936	111,461
Represented by:						
Reserves	19,048	(1,207)	(1,766)	450	91,545	108,070
Proposed final dividend	–	–	–	–	3,391	3,391
	19,048	(1,207)	(1,766)	450	94,936	111,461

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2003, as previously reported	19,048	(1,207)	(1,766)	450	–	91,620	108,145
Effect of adoption of SSAP 12	–	–	–	–	–	3,316	3,316
At 1 st October 2003, as restated	19,048	(1,207)	(1,766)	450	–	94,936	111,461
Profit attributable to shareholders	–	–	–	–	–	1,694	1,694
Proceeds from placing of new shares	6,000	–	–	–	–	–	6,000
Expenses on placing of shares	(305)	–	–	–	–	–	(305)
Exercise of share options	2,191	–	–	–	–	–	2,191
2003 final dividend	–	–	–	–	–	(3,391)	(3,391)
2004 interim dividend	–	–	–	–	–	(1,711)	(1,711)
Revaluation of investment properties	–	–	–	–	6,434	–	6,434
Exchange differences	–	299	–	–	–	–	299
At 30 th September 2004	26,934	(908)	(1,766)	450	6,434	91,528	122,672
Represented by:							
Reserves	26,934	(908)	(1,766)	450	6,434	89,817	120,961
Proposed final dividend	–	–	–	–	–	1,711	1,711
	26,934	(908)	(1,766)	450	6,434	91,528	122,672

NOTES TO THE ACCOUNTS

22. RESERVES (continued)

Note:

- (a) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation on 23rd January 2002 and the nominal value of the Company's shares issued in exchange thereof.

COMPANY

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2002	21,950	–	3,782	25,732
Profit for the year	–	–	5,184	5,184
Repurchase of shares	(2,902)	450	(450)	(2,902)
2002 final dividend	–	–	(3,219)	(3,219)
2003 interim dividend	–	–	(1,610)	(1,610)
At 30 th September 2003	19,048	450	3,687	23,185
Represented by:				
Reserves	19,048	450	296	19,794
Proposed final dividend	–	–	3,391	3,391
	19,048	450	3,687	23,185

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2003	19,048	450	3,687	23,185
Profit for the year	–	–	8,413	8,413
Proceeds from placing for new shares	6,000	–	–	6,000
Expenses on placing of new shares	(305)	–	–	(305)
Exercise of shares options	2,191	–	–	2,191
2003 final dividend	–	–	(3,391)	(3,391)
2004 interim dividend	–	–	(1,711)	(1,711)
At 30 th September 2004	26,934	450	6,998	34,382
Represented by:				
Reserves	26,934	450	5,287	32,671
Proposed final dividend	–	–	1,711	1,711
	26,934	450	6,998	34,382

23. PENSION OBLIGATIONS

The pension obligations represent the net liability of defined benefit plan in Taiwan. A subsidiary of the Group in Taiwan participates in a pension plan as stipulated by the local statutory regulations. 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 has been performed on the pension liability as at 30th September 2004 and 2003 by an independent qualified actuary using projected unit credit method. The deficit between the pension asset and present value of the obligation as at 30th September 2004 is recognised in the profit and loss account in 2004.

The amounts recognised in the balance sheet are determined as follows:

	2004 HK\$'000	2003 HK\$'000
Present value of funded obligations	551	652
Fair value of plan assets	(334)	(104)
Present value of unfunded obligations	217	548
Unrecognised actuarial gains/(losses)	403	(98)
Liability in the balance sheet	620	450

The amounts recognised in the profit and loss account were as follows:

	2004 HK\$'000	2003 HK\$'000
Current service costs	373	142
Interest cost	22	13
Expected return on plan assets	(2)	–
Net actuarial gain	–	(1)
Loss on curtailments and settlements	2	–
Expenses recognised in the profit and loss account (Note 9)	395	154

NOTES TO THE ACCOUNTS

23. PENSION OBLIGATIONS (continued)

Movement in the liability recognised in the balance sheet:

	2004 HK\$'000	2003 HK\$'000
Beginning of year	450	400
Total expense, included in staff costs (Note 9)	395	154
Contributions paid	(225)	(104)
End of year	620	450

The principal actuarial assumptions used were as follows:

	2004 %	2003 %
Discount rate	3.75	3.25
Expected rate of return on plan assets	2.75	2.00
Expected rate of future salary increases	2.50	2.50

24. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement in the deferred tax assets is as follows:

	2004 HK\$'000	As restated 2003 HK\$'000
Beginning of year	3,436	763
Credited to profit and loss account	830	2,673
End of year	4,266	3,436

The movement in the deferred liabilities is as follows:

	2004 HK\$'000	As restated 2003 HK\$'000
Beginning of year	679	134
(Credited)/charged to profit and loss account	(110)	545
End of year	569	679

24. DEFERRED TAXATION (continued)

The movement in deferred tax assets/(liabilities) prior to offsetting of balances within the same taxation jurisdiction is as follows:

	Decelerated tax depreciation		Tax losses		Accelerated tax depreciation		Total	
	2004 HK\$'000	As restated 2003 HK\$'000	2004 HK\$'000	As restated 2003 HK\$'000	2004 HK\$'000	As restated 2003 HK\$'000	2004 HK\$'000	As restated 2003 HK\$'000
Beginning of year	536	(231)	2,900	1,406	(679)	(546)	2,757	629
(Charged)/credited to profit & loss account	82	767	748	1,494	110	(133)	940	2,128
End of year	618	536	3,648	2,900	(569)	(679)	3,697	2,757

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

	2004 HK\$'000	As restated 2003 HK\$'000
Deferred tax assets	4,266	3,436
Deferred tax liabilities	(569)	(679)
	3,697	2,757

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW GENERATED FROM OPERATIONS

	2004 HK\$'000	As restated 2003 HK\$'000
Operating profit/(loss)	3,577	(7,710)
Depreciation	15,425	13,786
Amortisation of intangible assets	1,169	1,009
Interest income	(340)	(651)
Interest paid	140	-
Loss on disposal of trading investments	47	-
Unrealised loss on trading investments	70	17
Gain on disposal of other investment	-	(69)
Gain on disposal of fixed assets	(566)	(102)
Revaluation (gain)/deficit on investment properties	(1,300)	350
Decrease in inventories	1,849	3,995
Increase in accounts receivable	(2,133)	(3,508)
(Increase)/decrease in rental deposits, prepayments, other deposits and receivables	(6,926)	10,216
Increase/(decrease) in accounts payable	2,640	(4,296)
Increase/(decrease) in accruals and other payables	3,629	(1,697)
Increase in receipts in advance	20,636	3,909
Increase in pension obligations	170	50
Net cash inflow generated from operations	38,087	15,299

NOTES TO THE ACCOUNTS

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) ANALYSIS OF CHANGES IN FINANCING ACTIVITIES DURING THE YEAR

	Long-term bank loan		Share capital including share premium and capital reserve		Minority interests	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	As restated 2003 HK\$'000
Beginning of year	-	-	49,472	52,824	362	1,166
Addition of long-term bank loan	19,500	-	-	-	-	-
Repayment of long-term bank loan	(813)	-	-	-	-	-
Effect of adoption of SSAP 12	-	-	-	-	-	120
Proceeds from placing of new shares	-	-	7,500	-	-	-
Expenses on placing of new shares	-	-	(305)	-	-	-
Proceeds from exercise of share options	-	-	2,713	-	-	-
Minority interests' in share of net profit/(loss)	-	-	-	-	205	(774)
Repayment to a minority shareholder	-	-	-	-	(669)	-
Dividends paid to a minority shareholder of a subsidiary	-	-	-	-	(91)	(89)
Repurchase of shares	-	-	-	(3,352)	-	-
Effect of foreign exchange rate changes	-	-	-	-	-	(61)
End of year	18,687	-	59,380	49,472	(193)	362

26. COMMITMENTS

GROUP

(a) CAPITAL COMMITMENTS FOR FIXED ASSETS

	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	9,744	-

The Company did not have any capital commitments at 30th September 2004 (2003: Nil).

(b) COMMITMENTS UNDER OPERATING LEASES

At 30th September 2004 and 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2004 HK\$'000	2003 HK\$'000
Not later than one year	38,232	34,421
Later than one year and not later than five years	35,892	27,012
	74,124	61,433

The Company did not have any operating leases commitments at 30th September 2004 (2003: Nil).

27. BANKING FACILITIES

As at 30th September 2004, the Group and its subsidiaries were granted banking facilities amounted to approximately HK\$37,000,000 by a bank (2003: HK\$18,000,000) under guarantee provided by the Company and secured by an investment property of the Group.

28. PARTICULARS OF SUBSIDIARIES

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 16 th December 1999	Ordinary shares US\$30,000	100%	Investment holding in Hong Kong
INDIRECTLY HELD: Water Oasis Holdings Limited	British Virgin Islands 16 th December 1999	Ordinary shares US\$1	100%	Investment holding in Hong Kong
Oasis Spa Holdings Limited	British Virgin Islands 16 th December 1999	Ordinary shares US\$1	100%	Investment holding in Hong Kong
Oasis-Beauty.com Holdings Limited	British Virgin Islands 16 th December 1999	Ordinary shares US\$1	100%	Investment holding in Hong Kong
Water Oasis (Labuan) Holdings Limited	Labuan, Malaysia 28 th June 2000	Ordinary shares US\$10,000	100%	Investment holding in Hong Kong
Water Oasis China (BVI) Limited	British Virgin Islands 12 th October 2000	Ordinary shares US\$1	100%	Investment holding in Hong Kong
OBS Company Limited (formerly known as Water Oasis (China) Company Limited)	Hong Kong 26 th July 2000	Ordinary shares HK\$2	100%	Dormant
Water Oasis Company Limited	Hong Kong 6 th May 1998	Non-voting deferred shares HK\$1,000,000 Ordinary shares HK\$10,000	100%	Retail sales of skin-care products in Hong Kong

NOTES TO THE ACCOUNTS

28. PARTICULARS OF SUBSIDIARIES (continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD (continued):				
Oasis Spa Company Limited	Hong Kong 24 th December 1999	Ordinary shares HK\$1,000,000	100%	Operating of beauty salon, spa and other related services in Hong Kong
Oasis-Beauty.com Limited	Hong Kong 24 th December 1999	Ordinary shares HK\$10,000	100%	Sale of skin-care products via the retail outlet in Hong Kong
水貝兒股份有限公司 (Water Babe Company Limited)	Taiwan 17 th September 1999	Common stock NT\$20,000,000	90%	Retail sales of skin-care products in Taiwan
Water Oasis (China) Holdings Limited	Samoa 5 th April 2000	Ordinary shares US\$101	90.1%	Investment holding in Hong Kong
Claire International Limited	Hong Kong 22 nd October 1999	Ordinary shares HK\$2	100%	Inactive
Oasis Advertising Agency Company Limited	Hong Kong 18 th October 2000	Ordinary shares HK\$2	100%	Advertising agency in Hong Kong
Water Oasis (Macau) Company Limited	Macau 19 th July 2001	Ordinary shares MOP\$25,000	100%	Retail sales of skin-care products in Macau

28. 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 13 th March 2002	Ordinary shares HK\$1,000,000	100%	Operating of beauty salons and provision of other related services in Hong Kong
Aricon Investments Limited	British Virgin Islands 8 th March 2002	Ordinary shares US\$1	100%	Inactive
Master Advance Limited	Hong Kong 28 th June 2002	Ordinary shares HK\$1,000,000	100%	Investment holding in Hong Kong
奥思美容品(上海) 有限公司	China 9 th February 2002	US\$200,000	90.1%	Retail sales of skin-care products in China
奥思美容品(深圳) 有限公司	China 10 th October 2002	HK\$3,000,000	90.1%	Retail sales of skin-care products in China
Water Oasis (Singapore) Pte. Limited	Singapore 6 th November 2003	Ordinary shares S\$300,000	100%	Retail sales of skin-care products in Singapore

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 19th January 2005.