



26. 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 2004	26,934	(908)	(1,766)	450	97,962	122,672
Profit for the year	–	–	–	–	12,762	12,762
2004 final dividend	–	–	–	–	(1,711)	(1,711)
2005 interim and special dividend	–	–	–	–	(11,974)	(11,974)
Exchange differences	–	1,441	–	–	–	1,441
At 30 th September 2005	26,934	533	(1,766)	450	97,039	123,190
Represented by:						
Reserves	26,934	533	(1,766)	450	86,776	112,927
Proposed final dividend	–	–	–	–	10,263	10,263
	26,934	533	(1,766)	450	97,039	123,190

	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 2005	26,934	533	(1,766)	450	97,039	123,190
Profit for the year	–	–	–	–	13,600	13,600
Exercise of share options	96	–	–	–	–	96
2005 final dividend	–	–	–	–	(10,263)	(10,263)
2006 interim and special dividend	–	–	–	–	(10,269)	(10,269)
Exchange differences	–	809	–	–	–	809
At 30 th September 2006	27,030	1,342	(1,766)	450	90,107	117,163
Represented by:						
Reserves	27,030	1,342	(1,766)	450	72,986	100,042
Proposed final and special dividend	–	–	–	–	17,121	17,121
	27,030	1,342	(1,766)	450	90,107	117,163

(Note) 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.

26. Reserves (Continued)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2004	26,934	450	6,998	34,382
Profit for the year	–	–	18,640	18,640
2004 final dividend	–	–	(1,711)	(1,711)
2005 interim and special dividend	–	–	(11,974)	(11,974)
At 30 th September 2005	26,934	450	11,953	39,337
Represented by:				
Reserves	26,934	450	1,690	29,074
Proposed final dividend	–	–	10,263	10,263
	26,934	450	11,953	39,337
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 st October 2005	26,934	450	11,953	39,337
Profit for the year	–	–	27,536	27,536
Exercise of share options	96	–	–	96
2005 final dividend	–	–	(10,263)	(10,263)
2006 interim and special dividend	–	–	(10,269)	(10,269)
At 30 th September 2006	27,030	450	18,957	46,437
Represented by:				
Reserves	27,030	450	1,836	29,316
Proposed final and special dividend	–	–	17,121	17,121
	27,030	450	18,957	46,437



27. 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 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 has been performed on the pension liability as at 30th September 2006 and 2005 by an independent qualified actuary, Actuarial Consulting Company Limited using projected unit credit method. The deficit between the pension asset and present value of the obligation as at 30th September 2006 is recognised in the income statement in 2006.

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

	2006 HK\$'000	2005 HK\$'000
Present value of funded obligations	431	656
Fair value of plan assets	(625)	(581)
Present value of (overfunded)/unfunded obligations	(194)	75
Unrecognised actuarial gains	723	545
Liability in the balance sheet	529	620

The amounts recognised in the income statement were as follows:

	2006 HK\$'000	2005 HK\$'000
Current service costs	–	250
Interest cost	24	22
Expected return on plan assets	(16)	(11)
Net actuarial gain	(64)	(31)
Total (gain)/expenses recognised in the income statement (Note 11)	(56)	230

27. Pension Obligations (Continued)

The movement in the liability recognised in the balance sheet:

	2006 HK\$'000	2005 HK\$'000
At 1 st October	620	620
Total (gain)/expense, included in staff costs (Note 11)	(56)	230
Contributions paid	(35)	(230)
At 30 th September	529	620

The principal actuarial assumptions used were as follows:

	2006 %	2005 %
Discount rate	3.75	3.75
Expected rate of return on plan assets	2.75	2.75
Expected rate of future salary increases	2.50	2.50

28. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement in the deferred tax assets is as follows:

	2006 HK\$'000	2005 HK\$'000
At 1 st October	2,753	4,266
Credited/(charged) to income statement	2,272	(1,529)
Exchange differences	–	16
At 30 th September	5,025	2,753



28. Deferred Taxation (Continued)

The movement in the deferred tax liabilities is as follows:

	2006 HK\$'000	2005 HK\$'000
At 1 st October	(2,517)	(569)
Credited/(charged) to income statement	2,367	(1,948)
At 30 th September	(150)	(2,517)

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		Fair value gain		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
At 1 st October	926	618	5,162	3,648	(569)	(569)	(5,283)	-	236	3,697
Credited/(charged) to income statement	129	305	(731)	1,501	569	-	4,672	(5,283)	4,639	(3,477)
Exchange differences	-	3	-	13	-	-	-	-	-	16
At 30 th September	1,055	926	4,431	5,162	-	(569)	(611)	(5,283)	4,875	236

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:

	2006 HK\$'000	2005 HK\$'000
Deferred tax assets	5,025	2,753
Deferred tax liabilities	(150)	(2,517)
	4,875	236

28. Deferred Taxation (Continued)

Deferred tax assets are only recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. Total potential deferred taxation asset not provided for in the financial statements is as follows:

	2006 HK\$'000	2005 HK\$'000
Tax losses	5,095	2,056

These losses can be carried forward indefinitely to offset against future taxable income.

29. Note to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	13,599	17,936
Depreciation	20,628	16,665
Amortisation of intangible assets	850	1,325
Interest income	(1,123)	(316)
Interest expenses	610	597
Gain on disposal of trading investments	(57)	(580)
Gain on redemption of other investment	–	(34)
Loss on disposal of property, plant and equipment	4	–
Gain on disposal of investment properties	(1,975)	–
Gain arising from change in fair value of investment properties	–	(23,763)
Increase in inventories	(10,193)	(4,093)
Increase in accounts receivable	(7,981)	(6,579)
Increase in rental deposits and prepayment, prepayments, other deposits and receivables	(4,708)	(3,285)
(Decrease)/increase in accounts payable	(5,099)	4,747
Increase in accruals and other payables	16,448	18,435
Increase in receipts in advance	31,259	27,460
Decrease in pension obligations	(91)	–
Net cash inflow generated from operations	52,171	48,515



29. 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	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
At 1 st October	16,737	18,687	59,380	59,380	209	(193)
Repayment of long-term bank loan	(16,737)	(1,950)	-	-	-	-
Proceeds from exercise of share options	-	-	126	-	-	-
Minority interests' in share of net profit	-	-	-	-	732	521
Dividends paid to a minority shareholder of a subsidiary	-	-	-	-	(94)	(119)
At 30 th September	-	16,737	59,506	59,380	847	209

30. Commitments

Group

(a) Capital commitments for property, plant and equipment

	2006 HK\$'000	2005 HK\$'000
Contracted but not provided for	–	230

(b) Commitments under operating leases

At 30th September 2006 and 2005, 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	2006 HK\$'000	2005 HK\$'000
Rental receipts		
Not later than one year	964	1,035
Later than one year and not later than five years	264	–
	1,228	1,035
As lessees		
Rental payments		
Not later than one year	40,628	40,120
Later than one year and not later than five years	22,707	31,621
	63,335	71,741

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 pre-determined 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.

Company

The Company did not have any capital commitments or operating leases commitments at 30th September 2006 (2005: nil).

31. Banking Facilities

As at 30th September 2006, the Group was granted banking facilities amounting to approximately HK\$18,000,000 by a bank (2005: HK\$37,000,000) under guarantee provided by the Company. As at 30th September 2005, the outstanding long-term bank loan was secured by certain investment properties of the Group.



32. 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 Taiwan
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	Hong Kong 26 th July 2000	Ordinary shares HK\$2	100%	Operating of skin-care and beauty training centre in Hong Kong

32. 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 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
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%	Inactive
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



32. 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 (Macau) Company Limited	Macau 19 th July 2001	Ordinary shares MOP\$25,000	100%	Retail sales of skin-care products in Macau
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
奧思美容品(上海) 有限公司	China 9 th February 2002	US\$200,000	90.1%	Retail sales of skin-care products in China
奧思美容品(深圳) 有限公司	China 10 th October 2002	HK\$3,000,000	90.1%	Inactive
奧泉(上海)商貿 有限公司	China 9 th March 2006	US\$200,000	100%	Retail sale of skin-care products in China

32. Particulars of Subsidiaries (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
Water Oasis (Singapore) Pte. Limited	Singapore 6 th November 2003	Ordinary shares S\$300,000	100%	Retail sales of skin-care products in Singapore
Top Distinct Limited	Hong Kong 26 th January 2006	Ordinary shares HK\$2,000,000	100%	Operation of beauty salons and provision of other related services in Hong Kong

33. Related Party Transactions

Key management personnel compensation

	2006 HK\$'000	2005 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	9,589	8,868
Bonuses	–	2,000
Retirement benefit costs	60	60
	9,649	10,928