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The Board of Directors (the "Board") of Water Oasis Group Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 31st March, 2003. The unaudited consolidated results have been reviewed by the Company's Audit Committee.

The Group recorded turnover of approximately HK\$165 million for the period under review. Profit attributable to shareholders was approximately HK\$2.2 million.

The Group's interim results reflect the impact of major negative social and economic factors that afflicted the region and led to significantly reduced profits for companies across a wide spectrum of industries. These factors had particular impact on the retail sector in Hong Kong, and on the Group's own performance.

Retail purchasing in the Group's core market was particularly affected by Hong Kong's ongoing deflationary environment, in which the retail index slipped further while unemployment rose to fresh highs. On top of this, the unexpected and devastating arrival of the SARS epidemic deeply undermined consumer confidence and pushed retail spending lower still. A sign of the seriousness of these factors could be seen in the profit warnings made by over forty listed companies between April and May 2003. The Group itself was one of these, alerting shareholders to revised prospects in an announcement made on 9th May, 2003: a reminder that the major impact of the SARS outbreak can be expected to show itself in the second half of the financial year.

Despite the inevitable and expected fall in profits for the period, the Group is also able to report a series of solid business accomplishments which have continued the Group's strategy of diversifying both markets and products, and which will provide a strong basis for future consolidation and growth in due course. In particular, the Group has continued its rapid and strenuous commitment to opening up the market in the Mainland China (the "PRC"). Its carefully planned roll-out programme is designed to avoid over-expansion while fully capitalizing on the proven high demand for Water Oasis products within the PRC. Since January 2003 the Group has established further ~H₂O+ retail outlets in the PRC, and now has a total of 37 outlets in operation across more than fifteen major cities, outlets which have quickly proved their profitability when assessed according to EBITDA criteria. It also operates three offices there, which co-ordinate administration and marketing activities. In Hong Kong, the opening of a new Oasis Beauty centre in Mongkok in May 2003 brought to six the number of these popular centres now operating.

BUSINESS REVIEW**~H₂O+ Retail Business***Hong Kong and Macau*

The Group's core market came under considerable pressure in the period under review, and consequently achieved only a small net profit for the first half of the year. In order to deal effectively with what it believes to be a temporary downturn in demand, the Group worked during the year to develop and promote ancillary revenue sources to supplement ~H₂O+ product sales. The Group's beauty services and health drink sales, bringing in over 50% more revenue than in the same period during the previous year, contributed to achieving this goal. At the same time, the Group turned its attention to a number of strategies for reducing costs.

Taiwan

Despite a generally unfavourable business environment, the Group's ~H₂O+ product sales held up well in the period under review. Overall, net profit for the six months to 31st March, 2003 held steady, achieving similar levels to those obtained on average over the previous year.

China

The Group continued its policy of aggressively rolling out new outlets in this market, with a total of 37 now in operation. Measured by EBITDA criteria, these new operating units have achieved positive results at a very early stage, indicating that the Group's expansion strategy is a well-judged one. The popularity of the Group's products in the PRC suggests that its plans for franchising ~H₂O+ outlets there are appropriate, and the Group will therefore shortly begin recruitment of potential franchisees.

Spa and Beauty Businesses*Oasis Spa*

The Group's high-end beauty treatment services continued to be affected by the same factors that undermined retail sales performance of ~H₂O+ products. Nevertheless, Oasis Spa consolidated its position over the previous year, turning a HK\$0.3 million net loss from that period to a small net profit of HK\$0.2 million for the six month period ended 31st March, 2003. Historically, the performance of the Group's spa business tends to do better in the second half of the year, suggesting the likelihood of reasonable overall results for Oasis Spa across the entire 2002/2003 year, although the negative effects of the SARS outbreak during the period is likely to reduce the benefits of this trend. The Group therefore plans to further improve its revenue by introducing a range of new treatment programmes, and launching a series of promotional activities designed to attract new customers for the spa business in order to achieve a better result for the coming months.

Oasis Beauty

The Group's sensitivity and rapid responsiveness to changing market conditions has been well-demonstrated in the success of its Oasis Beauty concept. Oasis Beauty was designed from the outset as a cautious business venture requiring relatively small capital outlay, carefully tailored for a tough business environment. Its strategy of offering affordable beauty treatments to mass market consumers has clearly struck a chord in Hong Kong struggling with economic downturn, and its popularity prompted the Group to open a sixth Oasis Beauty outlet in Mongkok. These six outlets, established within a year, are proving capable of consistently outperforming the market, even in the current adverse economic environment. Oasis Beauty in fact has proved a key contributor towards the bottom line figure of HK\$2.2 million achieved by the Group in the six month period ended 31st March, 2003. In the second half of the year, the Group expects Oasis Beauty to achieve similar results to those of the first half of the year, an excellent performance given the current adverse economic environment, and one that shows the Group's ability to react astutely and rapidly to shifts in economic realities and market trends. Having said this, it is important to note that both Oasis Spa and Oasis Beauty extensively use $\sim\text{H}_2\text{O}+$ products in the treatments they offer. The success and profitability of these ventures rest firmly on market recognition of and demand for the Group's core products. The spa and beauty operations can thus be seen to function as important promotional tools for enhancing $\sim\text{H}_2\text{O}+$ sales in Hong Kong. Together, they give the Group recognition at every socio-economic level, with Water Oasis spa and beauty services serving customers from the elite end of the spectrum right through to mass market users.

OUTLOOK

The Group remains in a strong financial position regardless of the fluctuations in the market. This is largely a result of its highly prudent investment decision-making, with the Group maintaining significant cash reserves offering high liquidity, stable returns, and the potential for rapid investment in existing and potential business opportunities. Currently the Group has over HK\$74 million of cash on hand, and maintains a debt-free position.

The Group is continuing to explore and implement a number of cost-controlling measures to improve efficiency and enhance profitability. Payroll costs in particular are being stringently targeted, with pay frozen at 2002 levels, and the structure of remuneration for sales staff adjusted to increase the segment linked to performance. In addition, outsourcing of some administrative and logistical functions will reduce the Group's expenses significantly.

The Group is also looking closely at the performance of individual outlets, and adopting measures to maximise their contributions to profit. In many cases, new and competitive rental agreements have been negotiated that will shortly boost the profitability of individual stores. The Group is also considering relocating outlets to improve their turnover. The closure of two underperforming standalone outlets located in Taipei in April 2003 helped firm the Group's position in the Taiwan market, where department store sales account for the bulk of health and beauty care purchases. The financial effects of these changes should begin to make themselves felt from the 2003/2004 fiscal year. Overall, the Group plans to implement a comprehensive package of cost-cutting initiatives designed to cut operational expenses by approximately 5% annually. These will in turn be supplemented by the addition of new sources of revenue, notably a promising line of health drink products.

Despite the negative impact of the factors outlined at the beginning of this report, the Group is able to point to a number of positive developments over the past six months. In addition to the benefits accruing from its debt-free and cash-rich position, and the expected savings from its planned cost-cutting measures, the Group expects continuing significant contributions from its Oasis Beauty outlets, along with increased revenues arising from its PRC franchise operations, which will be commenced in July this year. These factors, together with the fundamental robustness of the Group's core products and markets, should enable the Group to ride the storm and emerge strongly once the crisis recedes.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Unaudited	
		2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	165,130	153,025
Other revenues	2	656	564
Cost of inventories sold		(41,688)	(41,911)
Operating expenses		(120,024)	(98,589)
Operating profit	2, 3	4,074	13,089
Taxation	4	(1,985)	(2,636)
Profit after taxation		2,089	10,453
Minority interests		78	(373)
Profit attributable to shareholders		2,167	10,080
Dividends	5	1,610	4,243
Earnings per share			
– Basic	6	0.7 cent	3.6 cents
– Diluted	6	0.7 cent	3.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 31st March, 2003 HK\$'000	Audited As at 30th September, 2002 HK\$'000
	<i>Note</i>		
Intangible assets		3,040	3,256
Fixed assets		29,474	30,778
Rental deposits		11,832	11,186
Other investments		2,013	2,013
Current assets			
Inventories		34,382	36,901
Trading investments		188	237
Accounts receivable	7	23,517	19,531
Prepayments		13,212	14,136
Other deposits and receivables		5,421	8,294
Tax recoverable		1,962	2,055
Bank balances and cash		74,185	88,685
		152,867	169,839
Current liabilities			
Accounts payable	8	4,857	8,239
Accruals and other payables		16,821	25,287
Receipts in advance		19,096	20,340
Taxation payable		2,131	1,466
		42,905	55,332
Net current assets		109,962	114,507
Total assets less current liabilities		156,321	161,740
Financed by:			
Share capital	9	32,190	32,640
Reserves		123,193	127,934
Shareholders' funds		155,383	160,574
Minority interests		938	1,166
		156,321	161,740

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31st March,	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Net cash outflow from operating activities	(2,319)	(12,346)
Net cash outflow from investing activities	(4,673)	(1,357)
Net cash (outflow)/inflow from financing activities	(6,721)	55,515
(Decrease)/increase in cash and cash equivalents	(13,713)	41,812
Cash and cash equivalents at 1st October	88,685	63,274
Effect of foreign exchange rate changes	(787)	239
Cash and cash equivalents at 31st March	74,185	105,325
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	74,185	105,325

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2001	–	–	(666)	(25,694)	105,089	78,729
Profit attributable to shareholders	–	–	–	–	10,080	10,080
Shares issued for share swap on group restructuring	3,000	–	–	–	–	3,000
Proceeds from Initial Public Offer	5,712	55,978	–	–	–	61,690
Initial Public Offer expenses	–	(10,100)	–	–	–	(10,100)
Capitalisation issue	23,928	(23,928)	–	23,928	–	23,928
Exchange differences	–	–	239	–	–	239
	<u>32,640</u>	<u>21,950</u>	<u>(427)</u>	<u>(1,766)</u>	<u>115,169</u>	<u>167,566</u>
At 31st March, 2002	<u>32,640</u>	<u>21,950</u>	<u>(427)</u>	<u>(1,766)</u>	<u>115,169</u>	<u>167,566</u>

	Unaudited						
	Share capital	Share premium	Exchange reserve	Capital		Retained profits	Total
				reserve	redemption reserve		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st October, 2002	32,640	21,950	(420)	(1,766)	–	108,170	160,574
Profit attributable to shareholders	–	–	–	–	–	2,167	2,167
2002 final dividend	–	–	–	–	–	(3,219)	(3,219)
Repurchase of shares	(450)	(2,902)	–	–	450	(450)	(3,352)
Exchange differences	–	–	(787)	–	–	–	(787)
	<u>32,190</u>	<u>19,048</u>	<u>(1,207)</u>	<u>(1,766)</u>	<u>450</u>	<u>106,668</u>	<u>155,383</u>
At 31st March, 2003	<u>32,190</u>	<u>19,048</u>	<u>(1,207)</u>	<u>(1,766)</u>	<u>450</u>	<u>106,668</u>	<u>155,383</u>

NOTES TO CONDENSED CONSOLIDATED ACCOUNTS**1. Basis of preparation and principal accounting policies**

These unaudited consolidated condensed interim accounts ("Interim Accounts") have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 (revised) "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 30th September, 2002 except for the adoption of certain revised SSAPs which are effective for accounting periods commencing on or after 1st January, 2002 and are applicable to the Group.

The effect of adopting these revised Standards are set out below:

- (a) SSAP 1 (revised) : Presentation of financial statements
- SSAP 15 (revised) : Cash flow statements

Upon adoption of SSAP 1 (revised) and SSAP 15 (revised), certain presentational changes have been made in the Interim Accounts. There is no change in accounting policies upon adoption of these revised Standards.

- (b) SSAP 11 (revised) : Foreign currency translation

The effect on the accounts of the Group upon adoption of SSAP 11 (revised) is not material to the current and prior periods.

- (c) SSAP 34 (revised) : Employee benefits

The new Standard provides the recognition basis for employee benefits including short-term employee benefits, post-employment benefits, termination benefits and other long-term employment benefits. The effect on the accounts of the Group upon adoption of SSAP 34 (revised) is not material to the current and prior periods.

2. Segment information

The Group is principally engaged in the retail sales of skin-care products, provision of beauty salon, spa and other related services. An analysis of the Group's turnover and contribution to operating profit for the period by business segments is as follows:

	Turnover		Contribution to operating profit	
	Six months ended		Six months ended	
	31st March,		31st March,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary reporting format – business segments				
Retail sales of skin-care products	122,480	142,480	4,865	29,188
Provision of beauty-salon, spa and other related services	42,650	10,545	15,845	(265)
	<u>165,130</u>	<u>153,025</u>	<u>20,710</u>	<u>28,923</u>
Other revenues			656	564
Unallocated corporate expenses			(17,292)	(16,398)
Operating profit			<u>4,074</u>	<u>13,089</u>

The geographical analysis of the Group's turnover for the period is as follows:

Secondary reporting format – geographical segments

Hong Kong and Macau	101,024	103,903
Taiwan	42,816	49,122
PRC	21,290	–
	<u>165,130</u>	<u>153,025</u>

3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	6,358	4,599
Operating leases rentals on land and buildings	38,671	32,893
Staff costs	41,225	34,472
Unrealised loss on trading investments	49	–
Loss on disposals of fixed assets	2	52
	<u>86,295</u>	<u>71,916</u>

4. Taxation

	Six months ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	770	1,329
Overseas taxation	925	1,248
Under provision in prior years	290	59
	<u>1,985</u>	<u>2,636</u>

Hong Kong profits tax has been provided for the period at the rate of 17.5% (2002: 16%) on the estimated assessable profit, after setting off available tax losses brought forward from prior year. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividends

At the Board meeting held on 17th June, 2003, the directors declared an interim dividend of 0.5 HK cent per share. This proposed interim dividend is not reflected as a dividend payable in the Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 30th September, 2003.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$2,167,000 (2002: HK\$10,080,000) and the weighted average number of 322,762,637 (2002: 276,812,308) ordinary shares in issued during the six months ended 31st March, 2003.

The diluted earnings per share is based on 322,913,587 (2002: 276,852,252) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 150,950 (2002: 39,944) ordinary shares, deemed to be issued at no consideration based on the assumption that all outstanding share options granted had been exercised at the beginning of the period or at the date of grant of the options, if later.

7. Accounts receivable

Details of the ageing analysis are as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
0 to 30 days	19,365	18,152
31 days to 60 days	4,024	875
Over 60 days	128	504
	<u>23,517</u>	<u>19,531</u>

Credit terms generally range from 30 days to 60 days.

8. Accounts payable

Details of the ageing analysis are as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
0 to 30 days	<u>4,857</u>	<u>8,239</u>

9. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st March, 2003	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1st October, 2002	326,400,000	32,640
Repurchase of shares	<u>(4,500,000)</u>	<u>(450)</u>
At 31st March, 2003	<u>321,900,000</u>	<u>32,190</u>

During the period, 4,500,000 ordinary shares of HK\$0.1 each were repurchased through The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.68 to HK\$0.83 per share for a total cash outlay of approximately HK\$3.3 million. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares was transferred from retained profits to the capital redemption reserve and the premium paid on the repurchased shares was charged against the share premium account.

10. Commitments

- (a) Capital commitments for property, plant and equipment

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
Contracted but not provided for	282	315

- (b) Commitments under operating leases

The Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31st March, 2003 HK\$'000	As at 30th September, 2002 HK\$'000
Not later than one year	27,733	34,766
Later than one year and not later than five years	24,593	19,916
	52,326	54,682

11. Contingent liabilities

The Group had no material contingent liabilities as at 31st March, 2003 (30th September, 2002: Nil).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of 0.5 HK cent per share for the six months ended 31st March, 2003 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 11th July, 2003. The Register of Members will be closed from 9th July, 2003 to 11th July, 2003, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 8th July, 2003. The relevant dividend warrants will be dispatched to shareholders on 15th July, 2003.

LIQUIDITY AND FINANCIAL RESOURCES

At 31st March, 2003, the Group had net current assets of HK\$110 million (30th September, 2002: HK\$114.5 million).

The Group generally finances its operation with internally generated resources. As at 31st March, 2003, the Group had cash reserves of approximately HK\$74 million and with no indebtedness. Such cash reserves are principally placed on interest-bearing bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2003, the Group employed 622 staff (31st March, 2002: 322). Salaries of employees are maintained at competitive levels while discretionary bonus and share options may also be granted to the eligible employees based on the Group's and the individual's performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters which included a review of the Interim Accounts for the six months ended 31st March, 2003.

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests of the directors in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company are as follows:

Name of Director ⁽⁶⁾	Name of company	Personal interests	Corporate interests	Number of shares		Total interests
				Family interests	Other interests	
Yu Lai Si	The Company	77,666,880 ordinary	–	–	–	77,666,880 ordinary
	Water Oasis Company Limited	330,000 non voting deferred				330,000 non voting deferred
Tam Chie Sang	The Company	–	–	–	77,666,880 ordinary ⁽¹⁾	77,666,880 ordinary
	Water Oasis Company Limited	165,000 non voting deferred	–	165,000 non voting deferred ⁽²⁾	–	330,000 non voting deferred
Yu Lai Chu, Eileen	The Company	–	–	–	77,666,880 ordinary ⁽¹⁾	77,666,880 ordinary
	Water Oasis Company Limited	165,000 non voting deferred	–	165,000 non voting deferred ⁽³⁾	–	330,000 non voting deferred
Yu Kam Shui, Erastus	The Company	–	–	38,833,440 ordinary ⁽⁵⁾	38,833,440 ordinary ⁽⁴⁾	77,666,880 ordinary
Lai Yin Ping	The Company	–	–	38,833,440 ordinary ⁽⁴⁾	38,833,440 ordinary ⁽⁵⁾	77,666,880 ordinary

Notes:

- (1) These shares are registered in the name of Zinna Group Limited. All voting rights over Zinna Group Limited are held by Royalion Worldwide Limited, which is wholly owned by Hitchin Trading Limited as trustee of Hitchin Unit Trust which in turn is ultimately held by Trident Trust Company (Cayman) Limited, which forms part of the discretionary trust set up by Tam Chie Sang and Yu Lai Chu, Eileen. Trident Trust Company (Cayman) Limited is the trustee of the discretionary trust, the beneficiaries of which are the family members of Tam Chie Sang and Yu Lai Chu, Eileen.

- (2) These shares are registered in the name of Yu Lai Chu, Eileen, the wife of Tam Chie Sang.
- (3) These shares are registered in the name of Tam Chie Sang, the husband of Yu Lai Chu, Eileen.
- (4) These shares are registered in the name of Advance Favour Holdings Limited, a British Virgin Islands company held by K S Yu 2002 Grantor Retained Annuity Trust formed for the benefit of Yu Kam Shui, Erastus and Lai Yin Ping's sister, Lai Yin Ling and upon her death, Yu Kam Shui Erastus' mother, Fung Sin Ping. Yu Kam Shui, Erastus and Lai Yin Ping are the trustees to the K S Yu 2002 Grantor Retained Annuity Trust.
- (5) These shares are registered in the name of Billion Well Holdings Limited, a British Virgin Islands company held by Y P Lai 2002 Grantor Retained Annuity Trust formed for the benefit of Lai Yin Ping and Lai Yin Ping's sister, Lai Yin Ling and upon her death, Lai Yin Ping's mother, Wong Kwai Ying. Lai Yin Ping is the sole trustee to the Y P Lai 2002 Grantor Retained Annuity Trust.
- (6) Each of Yu Lai Si, Tam Chie Sang, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping had outstanding options to subscribe for certain number of shares of the Company as set out below under the section "Directors' and Chief Executive's Rights to Acquire Shares or Debentures".

Saved as disclosed above, none of the directors had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2003.

SHARE OPTIONS

Movements of the options under the share option scheme adopted by the Company on 23rd January, 2002 (the "Share Option Scheme") during the period are as follows:

Grantee	Date of grant	Exercise price per share	Number of share options			Balance as at 31st March, 2003
			Balance as at 1st October, 2002	Granted during the period	Lapsed during the period	
Directors ⁽¹⁾	30th August, 2002	HK\$0.52	9,000,000	–	–	9,000,000
Employees under continuous employment contracts	26th April, 2002	HK\$1.67	1,500,000	–	–	1,500,000
	30th August, 2002	HK\$0.52	10,460,000	–	–	10,460,000
Supplier ⁽²⁾	11th March, 2002	HK\$1.18	3,264,000	–	–	3,264,000
	12th March, 2003	HK\$0.54	–	976,000	–	976,000
			<u>24,224,000</u>	<u>976,000</u>	<u>–</u>	<u>25,200,000</u>

Notes:

- (1) Details of share options granted to each director are set out below under the section "Directors' and Chief Executive's Rights to Acquire Shares or Debentures".
- (2) Share options granted to H₂O Plus, L.P., the major supplier of the Group.

The options are generally exercisable in stages within a period of one to three years from the date of grant. No options were exercised, cancelled or lapsed during the six months ended 31st March, 2003.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Share Option Scheme, the directors and chief executive officer of the Company have personal interests in share options which have been granted to them to subscribe for shares in the Company.

Name of director	Date of grant	Exercise price per share HK\$	Number of share options		
			Balance as at 1st October, 2002	Lapsed during the period	Balance as at 31st March, 2003
Yu Lai Si	30th August, 2002	0.52	3,000,000	-	3,000,000
Tam Chie Sang	30th August, 2002	0.52	1,500,000	-	1,500,000
Yu Lai Chu, Eileen	30th August, 2002	0.52	1,500,000	-	1,500,000
Yu Kam Shui, Erastus	30th August, 2002	0.52	1,500,000	-	1,500,000
Lai Yin Ping	30th August, 2002	0.52	1,500,000	-	1,500,000

These options are exercisable from 28th February, 2003 to the close of business on 29th August, 2007.

No option was exercised by the Company's directors during the period.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those stated below:

Name	Number of ordinary shares held	Approximate percentage of voting power
Yu Lai Si	77,666,880	24.1%
Zinna Group Limited ⁽¹⁾	77,666,880	24.1%
Advance Favour Holdings Limited ⁽²⁾	38,833,440	12.1%
Billion Well Holdings Limited ⁽³⁾	38,833,440	12.1%

Notes:

- (1) All voting rights of Zinna Group Limited are held by Royalion Worldwide Limited, which is wholly owned by Hitchin Trading Limited as trustee of Hitchin Unit Trust which in turn is ultimately held by Trident Trust Company (Cayman) Limited which forms part of a discretionary trust set up by Tam Chie Sang and Yu Lai Chu, Eileen. Trident Trust Company (Cayman) Limited is the trustee of the discretionary trust, the beneficiaries of which are the family members of Tam Chie Sang and Yu Lai Chu, Eileen.
- (2) Advance Favour Holdings Limited is a British Virgin Islands company held by K S Yu 2002 Grantor Retained Annuity Trust formed for the benefit of Yu Kam Shui, Erastus and Lai Yin Ping's sister, Lai Yin Ling and upon her death, Yu Kam Shui, Erastus' mother, Fung Sin Ping. Yu Kam Shui, Erastus and Lai Yin Ping are the trustees to the K S Yu 2002 Grantor Retained Annuity Trust.
- (3) Billion Well Holdings Limited is a British Virgin Islands company held by Y P Lai 2002 Grantor Retained Annuity Trust formed for the benefit of Lai Yin Ping and Lai Yin Ping's sister, Lai Yin Ling and upon her death, Lai Yin Ping's mother, Wong Kwai Ying. Lai Yin Ping is the sole trustee to the Y P Lai 2002 Grantor Retained Annuity Trust.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, 4,500,000 ordinary shares of HK\$0.1 each of the Company were repurchased at prices ranging from HK\$0.68 to HK\$0.83 per share through The Stock Exchange of Hong Kong Limited. The repurchase involved a total cash outlay of approximately HK\$3.3 million.

Saved as disclosed above, none of the Company's subsidiaries purchased or sold any of the Company's listed securities during the six months ended 31st March, 2003.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules at any time during the six months ended 31st March, 2003 except that 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 of the Company in accordance with the provisions of the Company's Articles of Association.

By order of the Board
Yu Lai Si
*Executive Director
and Chief Executive Officer*

Hong Kong, 17th June, 2003