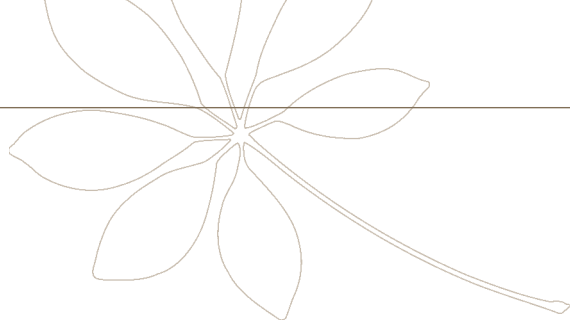


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The Board of Directors (the “Board”) of Water Oasis Group Limited (the “Company”) herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 31st March, 2005. The unaudited consolidated results have been reviewed by the Company’s Audit Committee.

DIVIDEND

The Board proposed an interim dividend of 1.0 HK cent per share (2004: 0.5 HK cent per share) and a special dividend of 2.5 HK cent per share (2004: Nil) for the six months ended 31st March, 2005.

[BUSINESS REVIEW]

The six months under review have been a period of ongoing diversification on the part of the Group, with the establishment of the Oasis Beauty School and the continued expansion of its China retail outlets being two of the highlights. Besides these, the Group has focused on maintaining solid momentum in both its retail and its spa and beauty segments: in this it has been successful, with both segments performing well and achieving good profitability. The Group looks set to report significant overall profits for the year, partly arising from the appreciation of its property investment portfolio.

~H₂O+ RETAIL BUSINESS

China

The Group’s China operations have continued to achieve considerable success, as shown by the increasing weighting of sales from the China market as a percentage of the Group’s overall sales. Sales contributions from the China operations are some 20% higher than those in the same period last year. This is partly because of the Group’s continuing roll-out of retail stores in China, both on a self-managed and franchised basis, as it continues to move towards its ambitious target figures.

Currently the Group has 54 self-managed stores in China, up from 51 last year and well on the way to a target number of 60 by the end of the year. As for franchised outlets, the Group currently has 36, up from 24, and these will continue to roll out at a good pace. The Group aims to have 70 franchised outlets in operation by the end of the year. Overall, the Group has 90 outlets already in place in China cities, with a planned target of 130 by year-end. This wide roll-out is building on the rapid success of Water Oasis products in the China market, which has quickly translated into a positive bottom line for the Group’s overall China operations.

Hong Kong

Within the sphere of its traditional retail operations in Hong Kong, the Group has been constantly alert to opportunities for revenue enhancement on the one hand, and cost-saving opportunities on the other. In terms of cost-saving, the Group has focused on the costs associated with the renting of its Hong Kong outlets. Having enjoyed excellent rental rates for the past two years (negotiated in the aftermath of the SARS period), the Group recognizes that costs will rise when many of its leases will be renegotiated in late 2005. In response to a familiar Hong Kong property market cycle, in 2004 the Group hedged its rental exposure by acquiring retail properties in Causeway Bay while prices were relatively low. The properties are currently being rented out. The Group is considering selling these investment properties later in the year and realizing gains which could amount to up to HK\$30 million in total. Increased rental costs should therefore be offset by returns anticipated from the Group's strategic property investment.

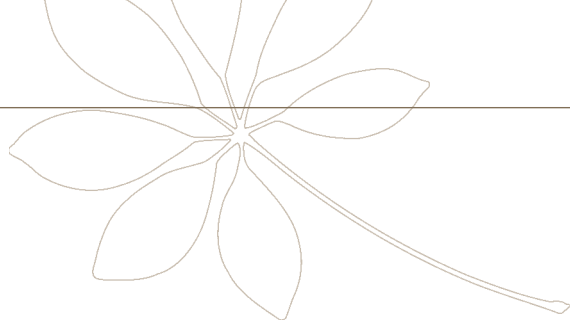
In addition, the Group has made adjustments to its Hong Kong retail network to maximize return. In the period under review, underperforming outlets were closed or relocated to other strategic locations to better reflect customer traffic and achieve lower rental costs. This sort of fine-tuning of retail outlet coverage and ongoing assessment of rental exposure will remain a characteristic of the Group as it monitors its retail effectiveness in the stable and mature Hong Kong market.

Taiwan, Singapore

The Group maintained a stable exposure in the Taiwan market, remaining cautious about expansion and operating from the position that its current market coverage is optimal. This assessment was borne out by record high profits achieved in the first half of the year. In Singapore meanwhile, where it is a relative newcomer to the market, the Group achieved a healthy cashflow breakeven position in the period under review. This result bodes well for the Group's fourth Singapore outlet, due to be opened in the third quarter of 2005.

SPA AND BEAUTY BUSINESSES

One of the reasons the Group originally diversified into the spa and beauty business was because of the higher margins available on services provided. Despite a few fluctuations due to external economic events in previous years, the value to the Group of its spa and beauty businesses has proved extremely positive. The weighting of the Group's sales from this sector has continued to grow, and in the period under review spa and beauty revenue made up 27% of the Group's overall sales, an almost 3% rise over last year. The success of the spa and beauty operations has led to a need for expansion at selected outlets to cater for demand. For example, additional space has been rented to boost the Group's Kowloon Bay



Oasis Beauty outlet, and plans are afoot to extend the space available for the Tsuen Wan Oasis Beauty outlet as well. Moves are also underway to expand the Group's customer base by diversifying its range of beauty services further. From the middle of 2005, the Group will launch a new Beauty Centre brand "Aqua Beauty", aimed at women who currently fall between the socio-economic brackets appealed to by the Oasis Spa and Oasis Beauty operations.

OASIS BEAUTY SCHOOL

In a move designed to create a reliable, high-quality stream of operational talent for its retail, beauty and spa activities, the Group last year began the initial planning for the launch of a skincare and beauty training school. It also saw this move as an opportunity to create diversified revenue. The enterprise, called the "Oasis Beauty School", began operations as planned in March and attracted a good initial student base. As previously reported, the Oasis Beauty School development was planned from the outset as a cautious business venture involving relatively low capital expenditure. This, combined with a positive student response as manifested in enrolment numbers, has resulted in an operation producing immediate good returns. The School's achievement of achieving a cashflow breakeven position after the first month of business is a record for the Group.

PROSPECTS

Further growth in China operations

As mentioned above, the Group's activities in China have continued apace over the period, and it is now well advanced towards its goal of operating 60 self-managed and 70 franchised retail outlets by the end of the year. In addition to this, the Group has noted the growing demand for spa and beauty services in urban China, and the rapid success of a number of spa chains there catering specifically for the lower end of the market. With its own spa and beauty experience and existing involvement in the China market, the Group believes it has the potential to break successfully into this sector on the Mainland. It aims not to compete with existing mass market spa chains however, but to build an upmarket reputation by tailoring its spa and beauty centres to a more affluent elite in major cities.

The Group has now begun negotiations with a China-based partner in a major city for the setting up of the first Water Oasis spa and beauty centre to appear in China. Under any arrangement, the potential partner would own the site and be responsible for all capital investment, while the Group would manage and operate the business and receive a management fee for its role. The Group believes this venture represents an ideal opportunity to explore the particular challenges of

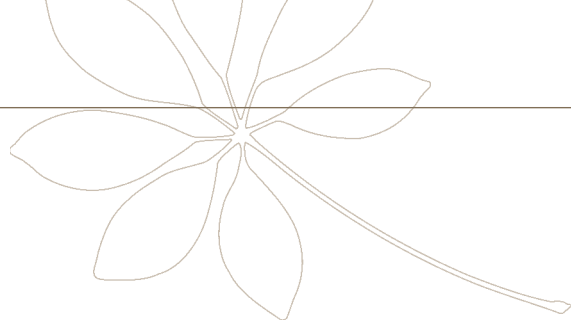
operating a spa business in China. It will utilise its Hong Kong experience but at the same time fully explore the special conditions applicable to Mainland customers. Once the most successful formula has been developed, it will turn attention to expanding its spa and beauty network more widely. By partnering with a China-based enterprise for this initial move into the market, the Group believes it is exploring a high-opportunity new market at a minimal level of risk. It will not be required to make any significant investment besides perhaps some portable equipment. The Group is optimistic that the first Water Oasis spa and beauty centre will be operational by the end of 2005.

The Group is currently in the process of applying for its own retail license in China, and the license should have completed processing by the end of the year. In the past, the Group has worked effectively in China by taking advantage of the retail licenses of the outlets selling its products, but obtaining its own retail license would bring a number of additional advantages to the Group. For example, it would allow the Group to operate its own standalone stores if desired, instead of having to rely on department store outlets, a possibility that may become more and more attractive as shopping trends change in China. By the same token, a license would mean the Group could also operate its own spa and beauty centres, if it wished to expand and diversify from its current partnering strategy. The license should also increase the Group's bargaining power with Mainland department stores, establishing it a better recognised and weightier player in the competitive skin care and beauty products market.

New secondary line to be developed jointly with H₂O Plus, L.P.

The Group has recently worked through initial discussions with H₂O Plus, L.P. in the USA about developing and launching a secondary line of skincare products that will create product diversification and offer opportunities to target another market segment, both in Hong Kong and China. The new line, which will consist of around 20 products, will be co-owned by H₂O Plus, L.P. and Water Oasis. Development, formulation and testing will be carried out by H₂O Plus, L.P., while the Group will be responsible for the marketing and distribution side of operations. The basic parameters of this arrangement have been laid out, and the Group is now ready to proceed towards negotiating a formal agreement.

The name and brand image of the new line is still under development, but it is expected that prices will average between one third and a half of the current ~H₂O+ product range. This pricing should open up a large new potential customer base for the Group, particularly in China where price sensitivity is a crucial issue. Furthermore, because the new line of products will all be manufactured in the USA, the line will maintain a genuine "foreign product" status in the China market: a valuable situation in terms of prestige and generation of demand.



The Group expects to begin selling the secondary line in Hong Kong in the first quarter of 2006, before going on to launch it in China once the somewhat lengthy product registration process is completed. In Hong Kong, the new line will be sold through a mix of department stores and selected standalones. The line represents a further example of careful diversification on the Group's part, but besides the benefits of diversification the development offers the Group other important advantages. In China in particular, having an extra brand will boost the Group's exposure in department stores as well as improving its bargaining power in that context, since it will no longer be a single-brand distributor but a multi-brand operator.

New brand to be carried by Water Oasis

Commentators have in the past suggested that the Water Oasis Group is limited because its primary role is as a distributor of ~H₂O+ products. The Group's diversification into the spa and beauty businesses, and other initiatives such as the Oasis Beauty School, have proved this to be an inaccurate assessment. However, in a further diversification move, the Group has recently negotiated with H₂O Plus, L.P. the right to distribute another brand of skin care or cosmetics products. This represents a superb opportunity for the Group to expand by selecting a brand with a different emphasis and target market from those of its existing brand. The Group is still considering its possibilities, and a number of possible choices are on hand. In general, the Group is looking to target a less expensive brand that could give it the chance to move into the mass market.

During the first half of the financial year, there has been a period of considerable planning and negotiation as the Group prepares proactively for the next phase of its growth. Having proved itself in the China retail market, the Group is on the verge of new ventures in spa and beauty there. Its plans for a secondary range of ~H₂O+ products and for distributing a wholly new brand represent a prudent yet ambitious process of diversification and attention to the mass market which is expected to yield good returns, particularly when applied to the Mainland market. These initiatives, while still in some cases at the planning stage, are expected to come quickly to fruition and rapidly repay investors with solid returns.



[CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT]

	Notes	Unaudited Six months ended 31st March,	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	199,585	181,941
Cost of inventories sold		(49,611)	(49,780)
Gross profit		149,974	132,161
Other revenues	2	1,287	1,561
Gain arising from change in fair value of investment properties	2	15,563	1,299
Operating expenses		(148,654)	(132,300)
Operating profit	2, 3	18,170	2,721
Taxation	4	(5,050)	(1,206)
Profit after taxation		13,120	1,515
Minority interests		(519)	(172)
Profit attributable to shareholders		12,601	1,343
Dividends	5	11,974	1,711
Earnings per share			
– Basic	6	3.7 HK cent	0.4 HK cent
– Diluted	6	N/A	N/A

[CONDENSED CONSOLIDATED BALANCE SHEET]

		Unaudited As at 31st March,	Audited As at 30th September,
	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Intangible assets		1,590	1,922
Fixed assets	7	107,021	78,669
Rental deposits		12,629	12,121
Other investment		–	452
Deferred tax assets		2,544	4,266
		123,784	97,430
Current assets			
Inventories		35,078	31,057
Trading investments		–	6,772
Accounts receivable	8	32,189	25,172
Prepayments		15,116	11,932
Other deposits and receivables		5,091	6,273
Tax recoverable		71	2,326
Bank balances and cash		86,247	79,018
		173,792	162,550
Current liabilities			
Accounts payable	9	10,419	6,583
Accruals and other payables		36,356	28,306
Receipts in advance		59,222	44,885
Long-term bank loan – current portion	10	1,950	1,950
Taxation payable		2,258	3,639
		110,205	85,363
Net current assets		63,587	77,187
Total assets less current liabilities		187,371	174,617
Financed by:			
Share capital	11	34,212	34,212
Reserves		134,360	122,672
Shareholders' funds		168,572	156,884
Minority interests		207	(193)
Non-current liabilities			
Pension obligations		620	620
Long-term bank loan – non-current portion	10	15,763	16,737
Deferred tax liabilities		2,209	569
		187,371	174,617

[CONDENSED CONSOLIDATED CASH FLOW STATEMENT]

	Unaudited Six months ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Net cash inflow from operating activities	22,438	18,212
Net cash outflow from investing activities	(13,086)	(19,186)
Net cash (outflow)/inflow from financing activities	(2,804)	4,881
Increase in cash and cash equivalents	6,548	3,907
Cash and cash equivalents at 1st October	79,018	78,707
Effect of foreign exchange rate changes	681	150
Cash and cash equivalents at 31st March	86,247	82,764
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	86,247	82,764

[CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY]

Unaudited

	Share capital	Share premium	Exchange reserve	Capital reserve	Capital redemption reserve	Revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2003								
as previously reported	32,190	19,048	(1,207)	(1,766)	450	-	91,620	140,335
Effect of the adoption of SSAP 12 (revised)	-	-	-	-	-	-	3,316	3,316
At 1st October, 2003 as restated	32,190	19,048	(1,207)	(1,766)	450	-	94,936	143,651
Profit attributable to shareholders	-	-	-	-	-	-	1,343	1,343
2003 final dividend	-	-	-	-	-	-	(3,391)	(3,391)
Proceeds from placing of new shares	1,500	6,000	-	-	-	-	-	7,500
Expenses on placing of new shares	-	(305)	-	-	-	-	-	(305)
Exercise of share options	222	931	-	-	-	-	-	1,153
Revaluation of an investment property	-	-	-	-	-	201	-	201
Exchange differences	-	-	180	-	-	-	-	180
At 31st March, 2004	33,912	25,674	(1,027)	(1,766)	450	201	92,888	150,332

Unaudited

	Share capital	Share premium	Exchange reserve	Capital reserve	Capital redemption reserve	Revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2004								
as previously reported	34,212	26,934	(908)	(1,766)	450	6,434	91,528	156,884
Effect of the adoption of HKAS 40	-	-	-	-	-	(6,434)	6,434	-
At 1st October, 2004 as restated	34,212	26,934	(908)	(1,766)	450	-	97,962	156,884
Profit attributable to shareholders	-	-	-	-	-	-	12,601	12,601
2004 final dividend	-	-	-	-	-	-	(1,711)	(1,711)
Exchange differences	-	-	798	-	-	-	-	798
At 31st March, 2005	34,212	26,934	(110)	(1,766)	450	-	108,852	168,572

[NOTES TO CONDENSED CONSOLIDATED ACCOUNTS]

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated 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 Institute of Certified Public Accountants (“HKICPA”).

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, 2004 except for the early adoption of Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” issued by the HKICPA which is effective for accounting periods commencing on or after 1st January, 2005.

In prior years, investment properties held on leases with unexpired periods of greater than 20 years are valued by independent valuers annually. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the accounts: increases in valuation are credited to the investment properties revaluation reserve; decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit; and any subsequent increases are credited to operating profit up to the amount previously debited.

Pursuant to the fair value model of HKAS 40, which the Group has elected to apply, fair value changes in investment properties are to be recognized in the Interim Accounts in the period in which they arise. As a result of the adoption of this accounting policy, the Group’s operating profit for the current period has included approximately HK\$15.6 million as gain on increase in fair value of investment properties attributable to the Group.

The effect of adopting the new accounting policy was adjusted to the opening balance of investment properties revaluation reserve and retained profits of approximately HK\$6.4 million, respectively, as at 1st October, 2004 in accordance with the transitional provisions of HKAS 40. Comparative information has not been restated. Certain comparative figures have been reclassified to conform to current period’s presentation.

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 Six months ended 31st March,		Contribution to operating profit Six months ended 31st March,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Primary reporting format – business segments				
Retail sales of skin-care products	144,936	136,636	14,297	10,727
Provision of beauty-salon, spa and other related services	54,649	45,305	5,313	4,642
	199,585	181,941	19,610	15,369
Other revenues			1,287	1,561
Gain arising from change in fair value of investment properties			15,563	1,299
Unallocated corporate expenses			(18,290)	(15,508)
Operating profit			18,170	2,721

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

	Turnover Six months ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Secondary reporting format – geographical segments		
Hong Kong and Macau	104,228	100,506
China	52,139	42,997
Taiwan	39,753	38,109
Singapore	3,465	329
	199,585	181,941

3. OPERATING PROFIT

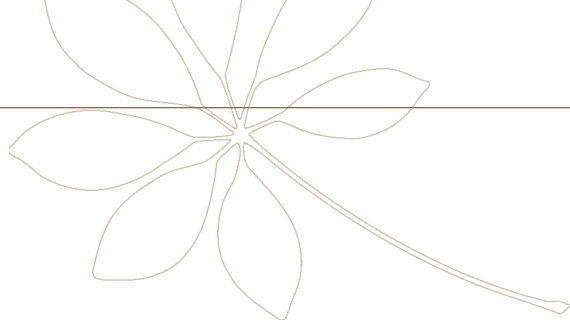
Operating profit is stated after crediting and charging the following:

	Six months ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Crediting		
Gain on disposals of fixed assets	16	151
Gain on disposals of trading investments	580	–
Gain on redemption of other investment	34	–
Charging		
Amortization of intangible assets	637	583
Depreciation	7,958	8,448
Loss on disposals of trading investments	–	61
Staff costs	61,967	47,304
Interest expenses on long-term bank loan	203	–

4. TAXATION

	Six months ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax	129	196
Overseas taxation	1,560	1,010
Deferred taxation	3,361	–
	5,050	1,206

Hong Kong profits tax has been provided for the period at the rate of 17.5% (2004: 17.5%) 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 15th June, 2005, the directors declared an interim dividend of 1.0 HK cent per share (2004: 0.5 HK cent per share) and a special dividend of 2.5 HK cent per share (2004: Nil) (collectively the "Interim Dividend"). 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, 2005.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$12,601,000 (2004: HK\$1,343,000) and the weighted average number of 342,116,000 (2004: 325,935,497) ordinary shares in issue during the six months ended 31st March, 2005.

No diluted earnings per share is calculated for the period ended 31st March, 2005 (2004: Nil) since the exercise prices of the Company's outstanding options were higher than the average fair value per share of the Company during the period and the potential ordinary shares would have no dilutive effect.

7. FIXED ASSETS

During the period ended 31st March 2005, the Group incurred capital expenditure of approximately HK\$20,720,000 (30th September, 2004: HK\$54,190,000). No significant disposal of fixed assets was made during the period.

8. ACCOUNTS RECEIVABLE

Details of the ageing analysis are as follows:

	As at 31st March,	As at 30th September,
	2005 HK\$'000	2004 HK\$'000
0 to 30 days	27,904	22,277
31 days to 60 days	2,003	1,205
61 days to 90 days	968	1,610
Over 90 days	1,314	80
	32,189	25,172

Credit terms generally range from 30 days to 90 days.

9. ACCOUNTS PAYABLE

Details of the ageing analysis are as follows:

	As at 31st March,	As at 30th September,
	2005 HK\$'000	2004 HK\$'000
0 to 30 days	10,419	6,583

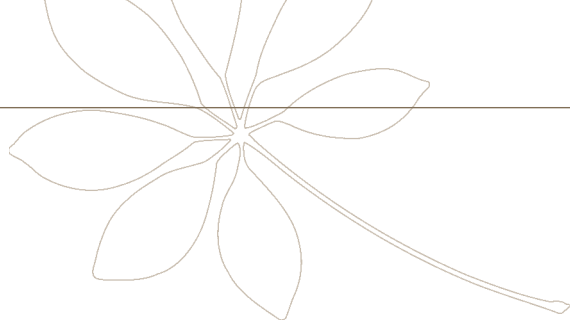
10. LONG-TERM BANK LOAN

	As at 31st March,	As at 30th September,
	2005 HK\$'000	2004 HK\$'000
Total of long-term bank loan – secured	17,713	18,687
Current portion of long-term bank loan	(1,950)	(1,950)
	15,763	16,737

At 31st March 2005, the Group's long-term bank loan was repayable as follows:

	As at 31st March,	As at 30th September,
	2005 HK\$'000	2004 HK\$'000
Within one year	1,950	1,950
In the second year	1,950	1,950
In the third to fifth year	5,850	5,850
After the fifth year	7,963	8,937
	17,713	18,687
Current portion of long-term bank loan	(1,950)	(1,950)
	15,763	16,737

The long-term bank loan was secured by certain investment properties of the Group.



11. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 31st March, 2005	1,000,000,000	100,000

	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1st October, 2004 and 31st March, 2005	342,116,000	34,212

12. COMMITMENTS

(a) Capital commitments for fixed assets

	As at 31st March, 2005 HK\$'000	As at 30th September, 2004 HK\$'000
Contracted but not provided for	–	9,744

(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, 2005 HK\$'000	As at 30th September, 2004 HK\$'000
Not later than one year	34,225	38,232
Later than one year and not later than five years	35,375	35,892
	69,600	74,124

13. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31st March, 2005 (30th September, 2004: Nil).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an Interim Dividend of 3.5 HK cent per share for the six months ended 31st March, 2005 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 7th July, 2005. The Register of Members will be closed from 5th July, 2005 to 7th July, 2005, 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 4th July, 2005. The relevant dividend warrants will be dispatched to shareholders on 15th July, 2005.

LIQUIDITY AND FINANCIAL RESOURCES

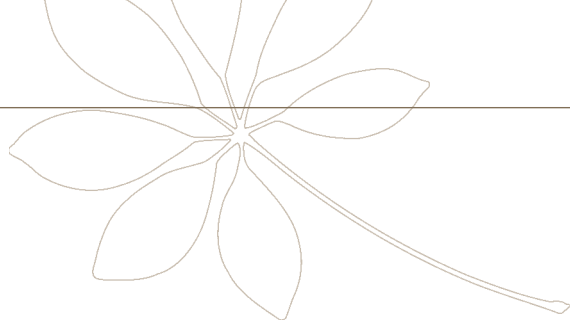
At 31st March, 2005, the Group had net current assets of approximately HK\$64 million (30th September, 2004: HK\$77 million).

The Group generally finances its operation with internally generated resources. As at 31st March, 2005, the Group had cash reserves of approximately HK\$86 million (30th September, 2004: HK\$79 million).

As at 31st March, 2005, the Group has a bank loan of approximately HK\$18 million (30th September, 2004: HK\$19 million). This bank loan was used to finance the purchase of certain investment properties which in turn are pledged as security for such loan.

The Group's gearing ratio, expressed as a percentage of the bank loan over the shareholders' fund of approximately HK\$169 million (30th September, 2004: HK\$157 million), is approximately 11% (30th September, 2004: 12%).

During the period, the Group entered into foreign exchange forward contracts to reduce exposure to foreign exchange risks. The Group continues to follow the practice of prudent cash management.



EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2005, the Group employed 935 staff (30th September, 2004: 840). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Options to subscribe for a maximum of approximately 26 million shares in the Company in aggregate had been granted to certain directors and employees pursuant to the Company's share option scheme. Exercise prices of which ranges from HK\$0.42 to HK\$1.67.

AUDIT COMMITTEE

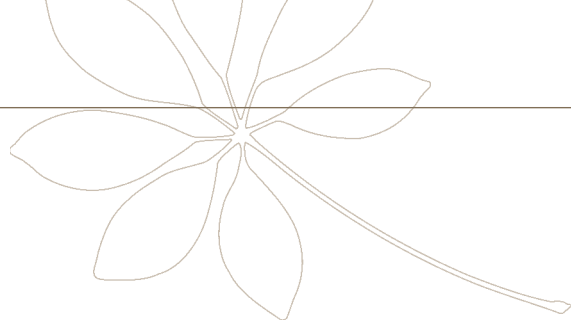
The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters which included a review of the Interim Accounts for the six months ended 31st March, 2005.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2005, 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 (Chapter 571) (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company and its associated corporations

Name of director	The Company/ name of associated corporation	Capacity	Number and class of shares				Percentage of issued share capital	
			Personal interests	Corporate interests	Family interests	Other interests	Total	
Yu Lai Si	The Company	Beneficial owner	80,666,880 ordinary	-	-	-	80,666,880 ordinary	23.6%
	Water Oasis Company Limited	Beneficial owner	330,000 non-voting deferred	-	-	-	330,000 non-voting deferred	-
Tam Chie Sang	The Company	Interest of spouse and interest of a controlled corporation	-	-	900,000 ordinary ⁽²⁾	77,666,880 ordinary ⁽¹⁾	78,566,880 ordinary	23.0%
	Water Oasis Company Limited	Beneficial owner and interest of spouse	165,000 non-voting deferred	-	165,000 non-voting deferred ⁽²⁾	-	330,000 non-voting deferred	-
Yu Lai Chu, Eileen	The Company	Beneficial owner and interest of a controlled corporation	900,000 ordinary	-	-	77,666,880 ordinary ⁽¹⁾	78,566,880 ordinary	23.0%
	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	-

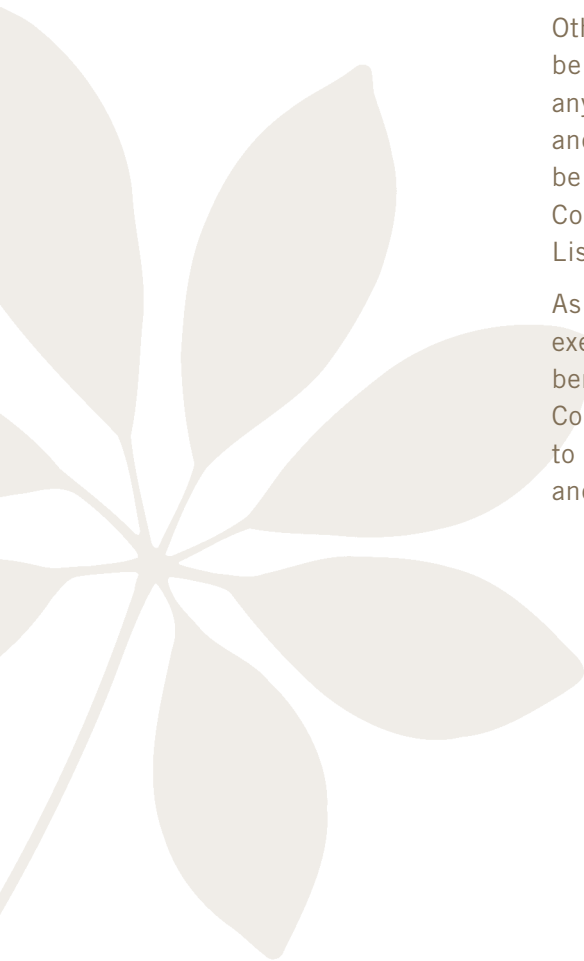


Notes:

- (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.

Other than aforesaid and as disclosed under the section headed “SHARE OPTIONS” below, there were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

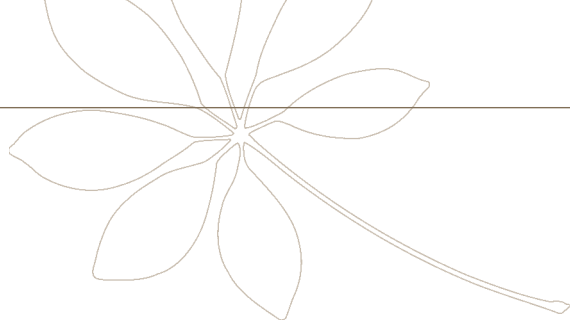
As at 31st March, 2005, save as disclosed therein, none of the directors, chief executives or any of their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded 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

Movements in the Company's share options during the period are as follows:

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1st October, 2004	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31st March, 2005
Directors								
Yu Lai Si	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	3,000,000	-	-	-	3,000,000
Tam Chie Sang	30th August, 2002	28th February, 2003 – 29th August, 2007	0.52	1,500,000	-	-	-	1,500,000
	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	1,500,000	-	-	-	1,500,000
Yu Lai Chu, Eileen	30th August, 2002	28th February, 2003 – 29th August, 2007	0.52	600,000	-	-	-	600,000
	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	1,500,000	-	-	-	1,500,000
Yu Kam Shui, Erastus	30th August, 2002	28th February, 2003 – 29th August, 2007	0.52	1,500,000	-	-	-	1,500,000
	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	1,500,000	-	-	-	1,500,000
Lai Yin Ping	30th August, 2002	28th February, 2003 – 29th August, 2007	0.52	1,500,000	-	-	-	1,500,000
	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	1,500,000	-	-	-	1,500,000
Wong Lung Tak, Patrick	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	600,000	-	-	-	600,000
Wong Chun Nam	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	600,000	-	-	-	600,000
				15,300,000	-	-	-	15,300,000



Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1st October, 2004	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31st March, 2005
Supplier								
H ₂ O Plus, L.P.	11th March, 2002	11th March, 2002 – 10th March, 2012	1.18	3,264,000	-	-	-	3,264,000
	12th March, 2003	12th March, 2003 – 11th March, 2013	0.54	976,000	-	-	-	976,000
				4,240,000	-	-	-	4,240,000
Employees (In aggregate)								
	26th April, 2002	26th October, 2002 – 25th April, 2007	1.67	750,000	-	-	-	750,000
	26th April, 2002	26th April, 2003 – 25th April, 2007	1.67	750,000	-	-	-	750,000
	30th August, 2002	28th February, 2003 – 29th August, 2007	0.52	1,484,000	-	-	-	1,484,000
	30th August, 2002	31st August, 2003 – 29th August, 2007	0.52	2,560,000	-	-	-	2,560,000
	30th August, 2002	29th February, 2004 – 29th August, 2007	0.52	1,560,000	-	-	-	1,560,000
	28th January, 2004	3rd May, 2004 – 31st January, 2009	0.42	1,160,000	-	-	-	1,160,000
	28th January, 2004	1st November, 2004 – 31st January, 2009	0.42	1,160,000	-	-	-	1,160,000
	28th January, 2004	2nd May, 2005 – 31st January, 2009	0.42	860,000	-	-	-	860,000
				10,284,000	-	-	-	10,284,000

In general, the employees may exercise one-third of each of their respective share options within six months, twelve months and eighteen months from the date of grant.

The directors do not consider it is appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

Other than as disclosed above, at no time during the period 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 period.

SUBSTANTIAL SHAREHOLDERS

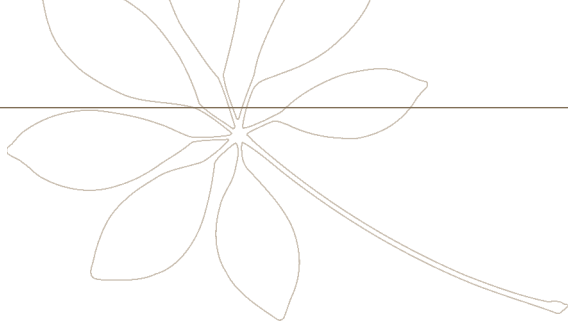
As at 31st March, 2005, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or, who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long position in the shares

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of voting power
Zinna Group Limited ⁽¹⁾	Interest of a controlled corporation	77,666,880	22.7%
Advance Favour Holdings Limited ⁽²⁾	Interest of a controlled corporation	38,833,440	11.4%
Billion Well Holdings Limited ⁽³⁾	Interest of a controlled corporation	38,833,440	11.4%

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



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period under review, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the review period.

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, 2005 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, 15th June, 2005