



Water Oasis Group Limited

奧思集團有限公司

Stock Code 股份代號: 1161

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INTERIM REPORT 中期報告

2008

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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 2008.

The unaudited consolidated results have been reviewed by the Company’s Audit Committee and the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information (“Interim Financial Information”) is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

RESULTS AND DIVIDEND

The Group recorded turnover of approximately HK\$398 million for the six months ended 31st March 2008, representing a growth of 43% as compared with the same period last year. It has managed to maintain its rate of turnover growth at double-digit levels, in continuation of its achievements in the same period last year. Profit for the period also increased by 244% to approximately HK\$35 million. The Group’s ~H₂O+ and Neutrogena operations in the Mainland achieved a record high, which was more than double the profit from these sources recorded in the same period last year. In Hong Kong, sales from the Group’s service operations achieved growth over last year’s figure. Excluding the increase in fair value of investment properties, profit attributable to equity holders achieved good growth of 190% compared with the same period last year. An interim dividend of 8.0 HK cents per share and a special interim dividend of 2.0 HK cents per share have been declared and are payable to shareholders.

BUSINESS REVIEW

The period under review has been a good one for the Group’s businesses, with profitability and expansion being led by growth in its China operations, and solid gains being made across the rest of its businesses. The key driver for the Group’s strong performance in the period has, once again, been its ~H₂O+ business in Mainland China, which has enjoyed continuous strong demand and now contributes the largest proportion of the Group’s overall turnover and profits. This growth has been supported by rapid growth and increasing contributions from the Group’s Neutrogena distribution business in Mainland China, and by positive returns from its Hong Kong beauty services, which are now beginning to expand into China. In addition, the launch of the new health drink, Collagen 8000 has created a new health drinks business for the Group which looks set to generate good long-term returns, as is evident from the excellent performance of this new product in the period under review. In short, Collagen 8000 is shaping well as one of the Group’s most successful products.

The Group’s prudent cost controls have proven their effectiveness in the period under review. Boosted by improved sales figures for the period, the ratio of the Group’s costs to its revenue has fallen over the past six months, increasing profitability. In addition, the addition of new stores has spread the Group’s core fixed costs more widely, creating greater cost efficiencies. Once these fixed costs are met, all additional business contributes directly to profitability. As a result, the bulk of income of the extra stores openings is directly and significantly increasing the Group’s bottom line.

~H₂O+ BUSINESS

Mainland China

Once again the Group's ~H₂O+ retail business in Mainland China has enjoyed robust growth, with the profit contribution from this segment achieving a record high during the review period. As at the end of May 2008, the Group was operating a total of 164 ~H₂O+ outlets in Mainland China. This figure is the outcome of selective opening of new outlets, contributing to a rise from the total number operating a year earlier.

Having looked closely at the performance of all its outlets, during the review period the Group undertook a dynamic adjustment and improvement of its store mix. The result is a new mix of fundamentally strong-performing outlets, creating a more robust platform for further expansion in coming months. By the end of September 2008, the Group expects to boost the number of its ~H₂O+ outlets to around 185, as part of its ongoing commitment to Mainland China as the prime focus for its future expansion and development.

The Collagen 8000 was also launched in Mainland China in October 2007, where it has enjoyed runaway success and contributed strongly to the Group's Mainland China performance.

Hong Kong and Macau

In last year's Annual Report, the Group announced plans to open 3 extra ~H₂O+ stores in Hong Kong to boost its presence in the New Territories. All three have now been opened successfully, and have enhanced market coverage of the Group's ~H₂O+ products and services. Currently, the Group is also finalising plans to open 1 new ~H₂O+ store in Hong Kong's prime shopping district. It expects to have this store up and running in the fourth quarter of 2008.

This is the first full six-month period in which it has been possible to assess the sales performance of Collagen 8000, first launched in Hong Kong in May 2007. It was clear even by September last year that this product was gaining significant momentum, and sales have continued to improve steadily over the period under review.

Taiwan and Singapore

In Taiwan, meanwhile, a stabilised political situation and improving economic prospects has seen a revitalisation of the Group's sales and a turnaround in its performance. Consumer response of Collagen 8000 in Taiwan has been similarly positive. In the period under review the Taiwan operations achieved profitability, compared with a corresponding loss in the same period last year.

In the period under review, the performances of the Group's 2 Singapore outlets have been boosted by good patronage and the success of Collagen 8000 since its launch there. As a result, the Group's Singapore operations have turned a profit in the period, and this improved trend looks set to continue.

NEUTROGENA

The Group has enjoyed considerable success with its distributorship of Johnson & Johnson's Neutrogena products over the past six months. From 119 Neutrogena outlets as at September 2007, by the end of May 2008 the Group had 145, spread across 61 cities in Mainland China. The Group's expansion programme has moved very quickly due to strong demand for Neutrogena products, and the outlets are providing a positive contribution to the Group's bottom line. As a brand targeted towards the mass market, there remains ample scope for considerable further expansion in the years to come, and the Group will continue to open new outlets as a matter of priority in the coming months.

SPA & BEAUTY

Mainland China

The Group's very first Mainland China beauty outlet was opened last year in Beijing APM, a prime retail and commercial location. Though a young enterprise and the first of its kind launched by the Group in the Mainland, it has already broken even and begun contributing positively to the Group's bottom line on a pre-tax basis. Encouraged by this success, the Group is now well advanced in plans to open a second beauty outlet in Beijing, which will be located in the prestigious Beijing Times Square. It expects this second outlet to be up and running by early July 2008.

Today's urban Chinese consumers have demonstrated their enthusiasm for high quality beauty products and services. To tap into that demand, the Group will continue to investigate opportunities for opening similar establishments at prime locations in major cities such as Beijing, Shanghai, and Guangzhou. In short, the Group believes that the market for beauty services in China is still relatively unexplored and possesses great potential for growth. The Group is in a very strong position to exploit the numerous opportunities that remain.

Hong Kong

For the period under review and up to the end of May 2008, the Group operated 2 Oasis Spa and 18 Oasis Beauty premises (including Aqua Beauty and Oasis Homme) in Hong Kong. During the period, Oasis Beauty performed particularly well, achieving steady growth in its customer base. Its ability to offer unique beauty services and treatments using high-technology equipment at competitive prices was a key to the chain's popularity. Growth was achieved in both turnover and customer base, ensuring that the Group's Hong Kong beauty services still contribute a sizeable proportion of its overall turnover and profits.

In this period the Group also opened the second private spa and beauty centre, situated in Henderson Land's Grand Waterfront property development.

MEDICAL BEAUTY

The Group's new Medical Beauty business was launched as recently as January 2008, so at the time of writing it has been in operation for less than half a year. The outlet, near the Group's administrative office in Causeway Bay, provides specialised medical beauty treatment and services performed by qualified staff, which currently includes a registered doctor and trained support staff.

Though still in its early days, performance to date has been very encouraging. Already the Medical Beauty business is self-sustaining, having achieved breakeven status in cashflow terms. Of particular importance is the fact that, with the addition of Medical Beauty services, the Group now offers a comprehensive spectrum of beauty services in Hong Kong.

PROSPECTS

~H₂O+

With ~H₂O+ its key driver for future growth, the Group intends to continue prudently expanding the number of ~H₂O+ outlets in China in the coming few months. Its target is to have around 185 outlets up and running in China by the end of fiscal 2008. In Hong Kong and Macau, meanwhile, where scope for geographical growth is limited, the Group intends to open 1 extra outlet in Causeway Bay to add to the 17 in existence. This extra store is expected to open later in the year. In Taiwan, to replace 1 outlet that was closed in May 2008, 2 extra outlets will also be added to the Group's existing 13 outlets, probably in July 2008, to take advantage of the gradually improving retail environment there.

To add to its initial Collagen 8000 product and expand its health food and drinks business, the Group plans to launch related health food and drinks products that will include a new diet drink slimming product, and a health supplement. Its health food and drinks business will be marketed under the ~H₂O+ brand.

Neutrogena

With plenty of room for growth remaining in the market for Neutrogena products, the Group intends to continue the rapid expansion of its Neutrogena network, with a target of having around 160 outlets in operation by the end of September 2008. The Group expects its Neutrogena business to continue contributing strongly to its profits in the future.

Beauty services

In Hong Kong, the Group intends to expand the size of two of its existing Oasis Beauty premises, allowing these popular centres to handle more customers and to offer an even wider and more comprehensive range of services. Besides undertaking these expansions, the Group will continue to scour the market for possible venues for new Oasis Beauty centres as demand grows.

In Mainland China, the Group's second beauty centre is set to open shortly in Beijing, others are being planned to follow once appropriate sites are located. The Group believes that there is huge potential for growth in the provision of beauty services in Mainland China in the future, with the market still far from being fully explored.

Other initiatives

The Group has continued to work assiduously to develop additional high-potential lines of business to supplement its core ~H₂O+ and Neutrogena brands. Recently, it signed a Memorandum of Understanding with a famous French cosmetic and skin-care brand, and plans to begin distributing the new brand in Mainland China sometime around September 2008. Targeted at customers somewhere between the demographics for Neutrogena and ~H₂O+, the Group sees plenty of potential for the new brand products in Mainland China market that is avidly seeking out foreign quality health and beauty products. The Group intends to market the new brand initially through department store counter sales, a proven route to Mainland consumers. After its Mainland China launch, the Group expects to launch the new brand in Taiwan.

The Group also recently signed an agreement to enter into a joint venture in which it will have a majority shareholding, according to which it will own, develop, and distribute a brand of cosmetics products. The target market will be younger and lower-income customers. It is expected to be launched in the Mainland by early 2009.

On 21st January 2008, the Group announced its acquisition of a commercial building by way of public tender. Completion of the acquisition was originally planned by 1st April 2008 at the latest. Legal formalities are still proceeding, however, and completion has therefore been delayed until their completion.

ACHIEVEMENTS

The Water Oasis Group was first set up in 1998, so 2008 marks its tenth anniversary. In that period much has been achieved. The Group has established itself as a successful and respected Hong Kong skin-care and beauty company, while reaching out as Mainland China has opened to become an early mover in that high-potential market. Our business in recent years is to make China its major focus for future growth, and its key driver for future profitability. Following a course of prudent financial management, zero gearing and meticulous planning, the Group have built up a robust profile with a sound financial platform, and today is well positioned to move forward and continue bringing solid returns for investors.

Deloitte.

德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF WATER OASIS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the Interim Financial Information set out on pages 7 to 21, which comprises the condensed consolidated balance sheet of Water Oasis Group Limited as of 31st March 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 19th June 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	UNAUDITED SIX MONTHS ENDED 31ST MARCH	
		2008 HK\$'000	2007 HK\$'000
Turnover	4	398,267	278,142
Purchases and changes in inventories of finished goods		(94,678)	(67,125)
Other revenue	4	4,201	3,104
Increase in fair value of investment properties		8,300	1,000
Staff costs		(108,556)	(86,755)
Depreciation of property, plant and equipment		(10,807)	(11,524)
Other expenses		(154,199)	(104,785)
Profit before taxation	4, 5	42,528	12,057
Taxation	6	(7,779)	(1,951)
Profit for the period		34,749	10,106
Attributable to:			
Equity holders of the Company		32,637	9,359
Minority interests		2,112	747
		34,749	10,106
Dividends	7	36,608	17,642
Earnings per share			
Basic	8	9.1 HK cents	2.7 HK cents
Diluted	8	9.0 HK cents	2.7 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	UNAUDITED AS AT 31ST MARCH 2008 HK\$'000	AUDITED AS AT 30TH SEPTEMBER 2007 HK\$'000
Non-current assets			
Intangible assets		893	1,063
Investment properties	9	37,600	29,300
Property, plant and equipment	9	31,673	26,104
Rental deposits and prepayments		16,985	14,838
Deposits paid for acquisition of a property	10	7,800	–
Goodwill	15	966	–
Deferred tax assets		6,212	4,261
		102,129	75,566
Current assets			
Inventories		67,096	49,556
Financial assets at fair value through profit or loss		35,972	20,063
Trade receivables	11	82,030	58,049
Prepayments		25,778	20,962
Other deposits and receivables		16,116	13,859
Tax recoverable		–	52
Bank balances and cash		117,837	161,915
		344,829	324,456
Current liabilities			
Trade payables	12	11,749	3,027
Accruals and other payables		88,430	76,496
Receipts in advance		162,814	140,161
Tax payable		10,711	9,674
		273,704	229,358
Net current assets		71,125	95,098
Total assets less current liabilities		173,254	170,664
Capital and reserves			
Share capital	13	36,184	35,674
Reserves		130,421	131,507
Equity attributable to equity holders of the Company		166,605	167,181
Minority interests		4,905	2,597
Total equity		171,510	169,778
Non-current liabilities			
Pension obligations		473	473
Deferred tax liabilities		1,271	413
		173,254	170,664

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY									
	Share capital	Share premium	Exchange reserve	Capital			Retained profits	Total	Minority interests	Total
				Capital reserve	redemption reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st October 2006 (audited)	34,242	27,030	1,342	(1,766)	450	90,107	151,405	847	152,252	
Exchange differences arising from translation of foreign operations recognised directly in equity	-	-	(31)	-	-	-	(31)	-	(31)	
Profit for the period	-	-	-	-	-	9,359	9,359	747	10,106	
Total recognised expenses and income for the period	-	-	(31)	-	-	9,359	9,328	747	10,075	
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	(94)	(94)	
2006 final dividend	-	-	-	-	-	(17,454)	(17,454)	-	(17,454)	
Issue of shares upon exercise of share options	667	2,475	-	-	-	-	3,142	-	3,142	
At 31st March 2007 (unaudited)	34,909	29,505	1,311	(1,766)	450	82,012	146,421	1,500	147,921	

	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY									
		Share capital	Share premium	Exchange reserve	Capital			Retained profits	Total	Minority interests	Total
					Capital reserve	redemption reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1st October 2007 (audited)		35,674	32,618	4,471	(1,766)	450	95,734	167,181	2,597	169,778	
Exchange differences arising from translation of foreign operations recognised directly in equity		-	-	828	-	-	-	828	-	828	
Profit for the period		-	-	-	-	-	32,637	32,637	2,112	34,749	
Total recognised income for the period		-	-	828	-	-	32,637	33,465	2,112	35,577	
Acquisition of a subsidiary	15	-	-	-	-	-	-	-	196	196	
2007 final dividend		-	-	-	-	-	(36,183)	(36,183)	-	(36,183)	
Issue of shares upon exercise of share options		510	1,632	-	-	-	-	2,142	-	2,142	
At 31st March 2008 (unaudited)		36,184	34,250	5,299	(1,766)	450	92,188	166,605	4,905	171,510	

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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	UNAUDITED SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Net cash from operating activities	37,195	16,403
Net cash used in investing activities:		
Purchase of property, plant and equipment	(15,985)	(5,280)
Purchase of financial assets at fair value through profit or loss	(41,060)	(43,799)
Proceeds from disposal of financial assets at fair value through profit or loss	14,360	7,787
Deposits paid for acquisition of a property	(7,800)	–
Other investing activities	2,519	2,376
	(47,966)	(38,916)
Net cash (used in)/from financing activities:		
Dividend paid	(36,183)	–
Proceeds from exercise of share options	2,142	3,142
	(34,041)	3,142
Net decrease in cash and cash equivalents	(44,812)	(19,371)
Cash and cash equivalents at beginning of the period	161,915	130,293
Effect of foreign exchange rate changes	734	(125)
Cash and cash equivalents at end of the period, represented by bank balances and cash	117,837	110,797



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Water Oasis Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 27th September 2001 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the Interim Report. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11th March 2002.

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution of skin-care products in Hong Kong, Macau, Taiwan, Singapore and Mainland China and the operation of spa and beauty centres in Hong Kong and Mainland China.

This Interim Financial Information is presented in Hong Kong Dollars unless otherwise stated. The Interim Financial Information was approved for issue by the Board of Directors on 19th June 2008.

2. BASIS OF PREPARATION

This Interim Financial Information 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 HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 30th September 2007.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information have been prepared under the historical cost convention except that financial assets at fair value through profit or loss and investment properties are stated at fair values.

The accounting policies used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 30th September 2007. In addition, the Group newly adopted the following accounting policy during the period:

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising on an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on or after 1st October 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Certain new and revised standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1st October 2008. The Group has already commenced an assessment of their impact when they become effective and does not expect this will result in substantial changes to the Group’s principal accounting policies.



4. TURNOVER AND 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 profit for the period by business segments is as follows:

(a) Primary reporting format – business segments

	RETAIL		SERVICES		ELIMINATION		GROUP	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Sales to external customers	292,750	199,596	105,517	78,546	–	–	398,267	278,142
Inter-segment sales	13,112	13,347	–	–	(13,112)	(13,347)	–	–
Total	305,862	212,943	105,517	78,546	(13,112)	(13,347)	398,267	278,142
Segment results	51,145	22,742	20,928	5,908	–	–	72,073	28,650
Other revenue							4,201	3,104
Increase in fair value of investment properties							8,300	1,000
Unallocated corporate expenses							(42,046)	(20,697)
Profit before taxation							42,528	12,057

(b) Secondary reporting format – geographical segments

	TURNOVER SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Hong Kong and Macau	174,099	138,069
Mainland China	192,709	110,948
Taiwan	27,609	24,577
Singapore	3,850	4,548
	398,267	278,142

In respect of geographical segment reporting, sales are reported based on the countries/places in which the customers are located.

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Crediting		
Interest income on bank deposit	965	861
Interest income on financial assets at fair value through profit or loss	2,562	1,395
Gross rental income from investment properties	546	482
Charging		
Amortisation of intangible assets	170	102
Unrealised loss arising from change in fair value of financial assets at fair value through profit or loss	16,444	–

6. TAXATION

	SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Current taxation		
Hong Kong profits tax	3,674	1,048
Overseas taxation	6,269	1,711
Overprovision in prior years	(1,071)	–
Deferred taxation relating to the origination and reversal of temporary differences	(1,093)	(808)
	7,779	1,951

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the period, after setting off available tax losses brought forward from prior years.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

People's Republic of China (the "PRC") Enterprise Income Tax is calculated at the statutory income tax rate of 33% of the assessable profit except that the assessable profit derived from the Waigaoqiao Free Trade Zone and Pudong New Area is taxed at a preferential rate of 15% pursuant to the relevant governmental notices.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the President of PRC (the "New Law"). On 6th December 2007, the state council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate from 33% to 25% for its subsidiaries in the PRC from 1st January 2008.

7. DIVIDENDS

	SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Interim dividend proposed of 8.0 HK cents (2007: 4.0 HK cents) per share	29,286	14,114
Special interim dividend proposed of 2.0 HK cents (2007: 1.0 HK cent) per share	7,322	3,528
	36,608	17,642

At the Board meeting held on 19th June 2008, the directors declared an interim dividend of 8.0 HK cents (2007: 4.0 HK cents) per share and a special interim dividend of 2.0 HK cents (2007: 1.0 HK cent) per share (collectively referred to as the "Interim Dividend"). This proposed Interim Dividend is not reflected as a dividend payable in the Interim Financial Information.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$32,637,000 (for the six months ended 31st March 2007: HK\$9,359,000) and the weighted average number of 358,190,645 (for the six months ended 31st March 2007: 344,523,198) ordinary shares in issue during the six months ended 31st March 2008.

The calculation of diluted earnings per share for the period ended 31st March 2008 is based on profit attributable to equity holders of the Company of approximately HK\$32,637,000 (for the six months ended 31st March 2007: HK\$9,359,000) and the weighted average number of 358,190,645 (for the six months ended 31st March 2007: 344,523,198) ordinary shares in issue during the period plus the weighted average number of 5,019,898 (for the six months ended 31st March 2007: 4,885,015) 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.

9. CAPITAL EXPENDITURES

During the period ended 31st March 2008, the Group incurred capital expenditures of approximately HK\$15,985,000 for property, plant and equipment (for the six months ended 31 March 2007: HK\$5,280,000). No significant disposal of property, plant and equipment was made during the period.

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors at 31st March 2008. The resulting increase in fair value of investment properties of HK\$8,300,000 (for the six months ended 31st March 2007: HK\$1,000,000) has been recognised directly in the condensed consolidated income statement.

10. DEPOSITS PAID FOR ACQUISITION OF A PROPERTY

On 16th January 2008, a wholly owned subsidiary of the Company acquired a commercial building located at 18 Cochrane Street, Central, Hong Kong, through a public tender from an independent third party at a consideration of HK\$78 million. A deposit of HK\$7.8 million was paid in connection with the acquisition. The Completion was originally expected to take place on or before 1st April 2008. However, due to the legal procedure is still underway, the completion was delayed until all legal procedures complete.

11. TRADE RECEIVABLES

Details of the aging analysis are as follows:

	AS AT 31ST MARCH 2008 HK\$'000	AS AT 30TH SEPTEMBER 2007 HK\$'000
0 to 30 days	65,507	49,760
31 days to 60 days	12,760	5,619
61 days to 90 days	1,995	1,117
Over 90 days	1,768	1,553
	82,030	58,049

Credit terms generally range from 30 days to 90 days.

The fair value of trade receivables approximates its carrying amount.

Trade receivables are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi.

12. TRADE PAYABLES

Details of the aging analysis are as follows:

	AS AT 31ST MARCH 2008 HK\$'000	AS AT 30TH SEPTEMBER 2007 HK\$'000
0 to 30 days	11,671	3,027
Over 90 days	78	–
	11,749	3,027

The fair value of trade payables approximates its carrying amount.

Trade payables are mainly denominated in US Dollars and Renminbi.

13. SHARE CAPITAL

	AUTHORISED ORDINARY SHARES OF HK\$0.1 EACH	
	No. of shares	HK\$'000
At 30th September 2007 and 31st March 2008	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 2006	342,416,000	34,242
Issue of new shares upon exercise of share options	14,320,000	1,432
At 30th September 2007	356,736,000	35,674
Issue of new shares upon exercise of share options	5,100,000	510
At 31st March 2008	361,836,000	36,184

14. SHARE OPTIONS

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.

The movements in the number of share options granted, exercised and lapsed pursuant to the Share Option Scheme during the period were as follows:

Category	Date of grant	Exercise period	Exercise price per share HK\$	As at 1st October 2007	Granted	Exercised	Cancelled/ Lapsed	As at 31st March 2008
Directors	28th January 2004	3rd May 2004 – 31st January 2009	0.42	8,000,000	–	5,000,000	–	3,000,000
				8,000,000	–	5,000,000	–	3,000,000
Supplier	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)	28th January 2004	3rd May 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	1st November 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	2nd May 2005 – 31st January 2009	0.42	260,000	–	100,000	–	160,000
				580,000	–	100,000	–	480,000
Exercisable at the end of the period								7,720,000

As at 31st March 2008, the weighted average exercise price of share options outstanding is HK\$0.76 per share (at 30th September 2007: HK\$0.62 per share).

Options exercised during the period ended 31st March 2008 resulted in 5,100,000 shares (for the six months ended 31st March 2007: 6,670,000 shares) being issued at HK\$0.42 per share (for the six months ended 31st March 2007: HK\$0.42 and HK\$0.52 per share). The related weighted average share price at the time of exercise was HK\$1.41 per share (for the six months ended 31st March 2007: HK\$0.73 per share).

15. ACQUISITION OF A SUBSIDIARY

On 1st October 2007, the Group acquired 60% of the issued share capital of a Shenzhen advertising company and renamed as 深圳市奧貝思廣告有限公司 for a total consideration of HK\$1.26 million. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$966,000.

The net assets acquired in the transaction, and the goodwill arising therefrom are as follows:

	ACQUIREE'S CARRYING AMOUNT BEFORE COMBINATION
	HK\$'000
Net assets acquired:	
Plant and equipment	256
Trade and other receivables	1,408
Bank balances and cash	231
Trade and other payables	(1,405)
	490
Minority interests	196
Goodwill	966
Total consideration, satisfied by:	
Cash	1,260
Net cash inflow arising on acquisition:	
Cash consideration paid	1,260
Bank balances and cash acquired	(231)
	1,029

Note: The fair value of the net assets acquired approximates its carrying amount at the date of acquisition.

深圳市奧貝思廣告有限公司 has had no material contribution to the Group's turnover and profit for the period between the date of acquisition and the balance sheet date.

Goodwill arose in the business combination because the cost of the combination included a control premium paid for the acquisition. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and future market development. These benefits are not recognised separately from goodwill as the future economic benefits.

16. COMMITMENTS

(a) Capital commitments of a property

	AS AT 31ST MARCH 2008 HK\$'000	AS AT 30TH SEPTEMBER 2007 HK\$'000
Contracted for but not provided	70,200	–

(b) Commitments under operating leases

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 AT 31ST MARCH 2008 HK\$'000	AS AT 30TH SEPTEMBER 2007 HK\$'000
As lessors		
Rental receipts		
Not later than one year	1,040	264
Later than one year and not later than five years	712	–
	1,752	264

	AS AT 31ST MARCH 2008 HK\$'000	AS AT 30TH SEPTEMBER 2007 HK\$'000
As lessees		
Rental payments		
Not later than one year	66,532	51,513
Later than one year and not later than five years	60,494	48,610
	127,026	100,123

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated and rentals are fixed for an average term of two to three years.

The above lease commitments only include commitments for basic rentals and do not include commitments for additional rental payable, if any, when the amounts are determined by applying 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.

17. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31st March 2008 (at 30th September 2007: nil).

18. RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	SIX MONTHS ENDED 31ST MARCH	
	2008 HK\$'000	2007 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kinds	5,580	5,327
Bonuses	3,000	1,000
Retirement benefit costs	30	30
	8,610	6,357

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of 8.0 HK cents per share and a special interim dividend of 2.0 HK cents per share for the six months ended 31st March 2008 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 11th July 2008. The Register of Members will be closed from 9th July 2008 to 11th July 2008, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim and special interim dividends all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 8th July 2008. The relevant dividend warrants will be dispatched to shareholders on 23rd July 2008.

LIQUIDITY AND FINANCIAL RESOURCES

At 31st March 2008, the Group had net current assets of approximately HK\$71 million (at 30th September 2007: HK\$95 million).

The Group generally finances its operations with internally generated resources. As at 31st March 2008, the Group had cash reserves of approximately HK\$118 million (at 30th September 2007: HK\$162 million) and with no indebtedness.

The Group continues to follow the practice of prudent cash management. During the period, the Group's management adopts a balanced approach on financial risk management with some of the cash reserves are placed in Structured Deposits in addition to fixed bank deposits.

The Group has little exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territory and US Dollars. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering into foreign exchange forward contracts.



HUMAN RESOURCES

As at 31st March 2008, the Group employed 1,568 staff (at 30th September 2007: 1,401 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also grant to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Options to subscribe for a maximum of approximately 3.5 million shares in the Company in aggregate had been granted and are outstanding as at 31st March 2008 to certain directors and employees pursuant to the Company's Share Option Scheme. Exercise price of which is HK\$0.42 per share.

The Group is committed to nurturing a learning culture in the organisation. Heavy emphasis is placed on training and development, as the Group's success is dependent on the effort of a skilled and motivated work force.

AUDIT COMMITTEE

The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, J.P., Mr. Wong Chun Nam and Dr. Wong Chi Keung who are the independent non-executive directors of the Company. In establishing the terms of reference for this committee, the directors had made reference to the "Guide for the formation of an audit committee" issued by the HKICPA in December 1997.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months period ended 31st March 2008 with management and discussed with the independent auditor on reviewing, internal control and financial reporting matters in respect of the Interim Financial Information.

REMUNERATION COMMITTEE

To comply with the Code on Corporate Governance Practices ("CG Code"), a Remuneration Committee was established on 26th June 2006. The members of the Remuneration Committee comprise all independent non-executive directors of the Company and the Group's Human Resources Director, Ms. Lau Mei Yin, Ivy, and is chaired by Mr. Wong Chun Nam.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

INVESTMENT ADVISORY COMMITTEE

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15th November 2007. The members of the Investment Advisory Committee comprise all independent non-executive directors of the Company and Ms. Yu Lai Si, executive director and chief executive officer of the Company, and is chaired by Dr. Wong Chi Keung.

The objectives of this Committee are to set guidelines on the portfolio mix of the Group's investments for the daily execution of investment decisions and monitoring of the investment portfolio. The Committee shall meet at regular intervals for reviewing the investment directions and the portfolio mix as well as evaluating the performance of the investment portfolio.

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

As at 31st March 2008, 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 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				Total	Percentage of issued share capital
			Personal interests	Corporate interests	Family interests	Other interests		
Yu Lai Si	The Company	Beneficial owner	80,356,880 ordinary	-	-	-	80,356,880 ordinary	22.2%
	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	3,000,000 ordinary	-	2,980,000 ordinary ⁽²⁾	77,666,880 ordinary ⁽¹⁾	83,646,880 ordinary	23.1%
	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	2,980,000 ordinary	-	3,000,000 ordinary ⁽³⁾	77,666,880 ordinary ⁽¹⁾	83,646,880 ordinary	23.1%
	Water Oasis Company Limited	Beneficial owner and interest of spouse	165,000 non-voting deferred	-	165,000 non-voting deferred ⁽³⁾	-	330,000 non-voting deferred	-
Yu Kam Shui, Erastus	The Company	Beneficial owner and interest of spouse	2,000,000 ordinary	-	3,000,000 ordinary ⁽⁴⁾	-	5,000,000 ordinary	1.4%
Lai Yin Ping	The Company	Beneficial owner and interest of spouse	3,000,000 ordinary	-	2,000,000 ordinary ⁽⁵⁾	-	5,000,000 ordinary	1.4%
Wong Lung Tak, Patrick, J.P.	The Company	Beneficial owner	600,000 ordinary	-	-	-	600,000 ordinary	0.2%
Wong Chun Nam	The Company	Beneficial owner	600,000 ordinary	-	-	-	600,000 ordinary	0.2%

Notes:

- (1) These shares are registered in the name of Zinna Group Limited, a company incorporated in Hong Kong. All voting rights over Zinna Group Limited are held by Royalion Worldwide Limited, a British Virgin Islands company which is 51% owned by Tam Chie Sang and 49% owned by his spouse Yu Lai Chu, Eileen, both are directors of the Company.
- (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 Lai Yin Ping, the wife of Yu Kam Shui, Erastus.
- (5) These shares are registered in the name of Yu Kam Shui, Erastus, the husband of Lai Yin Ping.

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 2008, 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 were as follows:

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1st October 2007	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31st March 2008
Directors								
Yu Lai Si	28th January 2004	3rd May 2004 – 31st January 2009	0.42	3,000,000	–	–	–	3,000,000
Tam Chie Sang	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
Yu Lai Chu, Eileen	28th January 2004	3rd May 2004 – 31st January 2009	0.42	500,000	–	500,000	–	–
Yu Kam Shui, Erastus	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
Lai Yin Ping	28th January 2004	3rd May 2004 – 31st January 2009	0.42	1,500,000	–	1,500,000	–	–
				8,000,000	–	5,000,000	–	3,000,000

Category and name of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance as at 1st October 2007	Granted	Exercised	Cancelled/ Lapsed	Balance as at 31st March 2008
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)								
	28th January 2004	3rd May 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	1st November 2004 – 31st January 2009	0.42	160,000	–	–	–	160,000
	28th January 2004	2nd May 2005 – 31st January 2009	0.42	260,000	–	100,000	–	160,000
				580,000	–	100,000	–	480,000

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 2008, 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	21.5%
Advance Favour Holdings Limited ⁽²⁾	Interest of a controlled corporation	38,833,440	10.7%
Billion Well Holdings Limited ⁽³⁾	Interest of a controlled corporation	38,833,440	10.7%

Notes:

- (1) Zinna Group Limited is a company incorporated in Hong Kong. All of its voting rights are held by Royalion Worldwide Limited, a British Virgin Islands company which is 51% owned by Tam Chie Sang and 49% owned by his spouse Yu Lai Chu, Eileen, both are directors of the Company.
- (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 THE COMPANY'S 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.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the CG Code contained in Appendix 14 of the Listing Rules during the period.

CODE PROVISION A.2.1

The Board does not have any director with the title "Chairman". Presently the Company Secretary is responsible to ensure that all directors are properly briefed, either by her own or by members of the Company's senior management, on issues arising at Board meetings. Whereas the Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

CODE PROVISION A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the review period.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

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

Hong Kong, 19th June 2008

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

YU Lai Si
TAM Chie Sang
YU Lai Chu, Eileen
YU Kam Shui, Erastus
LAI Yin Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Lung Tak, Patrick, J.P.
WONG Chun Nam
WONG Chi Keung

AUDIT COMMITTEE

WONG Lung Tak, Patrick, J.P.
WONG Chun Nam
WONG Chi Keung

REMUNERATION COMMITTEE

WONG Chun Nam
WONG Lung Tak, Patrick, J.P.
WONG Chi Keung
LAU Mei Yin, Ivy

INVESTMENT ADVISORY COMMITTEE

WONG Chi Keung
WONG Lung Tak, Patrick, J.P.
WONG Chun Nam
YU Lai Si

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

MO Yuen Yee, Shirley FCCA, FCPA

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Deacons

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
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