Water Oasis Group
奧 思 集 團

WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST MARCH 2008

HIGHLIGHTS

- Group's turnover increased by 43% to approximately HK$398 million when compared with the same period last year. Both retail and services achieved a double-digit percentage growth in sales amount.

- Profit for the period increased by 244% as compared with the same period last year mainly contributed from the tremendous performance of ~H_2O+ and Neutrogena business in the Mainland.

- Recommends an interim dividend of 8.0 HK cents and a special interim dividend of 2.0 HK cents per share.

- Rapid expansion of ~H_2O+ and Neutrogena outlets in the Mainland to a total of 309 outlets at the end of May 2008.

- Responses from customers on our health drink product "Collagen 8000" distributed in Hong Kong, Mainland China, Taiwan and Singapore are excellent and generated a new segment of revenue to our Group's performance.

- Since last financial year end, 3 extra ~H_2O+ outlets were opened in Hong Kong up to the end of May 2008.

- Memorandum of Understanding was signed with a famous French cosmetic and skin-care brand to be the sole distributor for the whole Mainland China. Operation is expected to commence in September 2008.

- A Joint Venture agreement was signed with majority shareholding controlled by the Group to own, develop and distribute a cosmetic brand in Mainland China. Operation is expected to commence in early 2009.

- The second Mainland China Oasis Beauty centre is planned to open in Beijing Times Square in early July 2008.

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 ~H_2O+ 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31st March	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	2	**398,267**	278,142
Purchases and changes in inventories of finished goods		**(94,678)**	(67,125)
Other revenue	2	**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	2, 3	**42,528**	12,057
Taxation	4	**(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	5	**36,608**	17,642
Earnings per share			
Basic	6	**9.1 HK cents**	2.7 HK cents
Diluted	6	**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		**37,600**	29,300
Property, plant and equipment		**31,673**	26,104
Rental deposits and prepayments		**16,985**	14,838
Deposits paid for acquisition of a property		**7,800**	–
Goodwill		**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	7	**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	8	**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		**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

Notes:

1. **Basis of preparation and principal accounting policies**

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.

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.

2. 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	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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	2007
	HK$'000	*HK$'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.

3. Profit before taxation

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

	Six months ended 31st March	
	2008	2007
	HK$'000	*HK$'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**	–

4. Taxation

	Six months ended 31st March	
	2008	2007
	HK$'000	*HK$'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.

5. Dividends

	Six months ended 31st March	
	2008	2007
	HK$'000	*HK$'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.

6. **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.

7. **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.

8. **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.

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 ~H_2O+ 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.

~H_2O+ Business

Mainland China

Once again the Group's ~H_2O+ 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 ~H_2O+ 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 ~H_2O+ 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 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 ~H_2O+ 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 ~H_2O+ products and services. Currently, the Group is also finalising plans to open 1 new ~H_2O+ 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

~H_2O+

With ~H_2O+ its key driver for future growth, the Group intends to continue prudently expanding the number of ~H_2O+ 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 ~H_2O+ 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 ~H_2O+ 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 ~H_2O+, 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.

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 forward foreign exchange 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 nuturing 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.

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 for Securities Transactions by Directors of Listed Issuers (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

As at the date of this announcement, the executive directors of the Company are Yu Lai Si, Tam Chie Sang, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping. The independent non-executive directors of the Company are Wong Lung Tak, Patrick, J.P., Wong Chun Nam and Wong Chi Keung.