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Water Oasis Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2006

AUDITED FINANCIAL RESULTS

The Board of Directors (the "Directors") of Water Oasis Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 30th September 2006 (the "Financial Statements") as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 30th September	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Turnover	2	**484,018**	413,888
Cost of inventories sold		**(106,810)**	(99,048)
Gross profit		**377,208**	314,840
Other revenues	2	**3,364**	2,646
Gain arising from change in fair value of investment properties		**–**	23,763
Staff costs		**(153,325)**	(132,367)
Depreciation		**(20,628)**	(16,665)
Other operating expenses, net		**(193,020)**	(174,281)
Profit before taxation	3	**13,599**	17,936
Taxation	4	**733**	(4,653)
Profit after taxation		**14,332**	13,283
Attributable to:			
Shareholders of the Company		**13,600**	12,762
Minority interests		**732**	521
		14,332	13,283
Dividends	5	**27,390**	22,237
Earnings per share for profit attributable to the shareholders of the Company during the year			
Basic	6	**4.0 HK cents**	3.7 HK cents
Diluted	6	**4.0 HK cents**	3.7 HK cents

CONSOLIDATED BALANCE SHEET

	Note	As at 30th September 2006 HK$'000	2005 HK$'000
Non-current assets			
Intangible assets		**516**	1,264
Investment properties		**27,000**	89,000
Property, plant and equipment		**33,374**	29,863
Rental deposits and prepayment		**13,212**	13,063
Deferred tax assets		**5,025**	2,753
		79,127	135,943
Current assets			
Inventories		**45,343**	35,150
Trading investments		**1,828**	65
Accounts receivable	7	**39,732**	31,751
Prepayments		**17,865**	15,676
Other deposits and receivables		**7,320**	4,950
Tax recoverable		**232**	182
Bank deposits over three months to maturity		**7,787**	–
Bank balances and cash		**130,293**	85,680
		250,400	173,454
Current liabilities			
Accounts payable	8	**6,231**	11,330
Accruals and other payables		**63,189**	46,741
Receipts in advance		**103,604**	72,345
Long-term bank loan – current portion		**–**	1,950
Taxation payable		**3,572**	1,496
		176,596	133,862
Net current assets		**73,804**	39,592
Total assets less current liabilities		**152,931**	175,535
Financed by:			
Share capital		**34,242**	34,212
Reserves			
Proposed final dividend	5	**17,121**	10,263
Others		**100,042**	112,927
Shareholders' funds		**151,405**	157,402
Minority interests		**847**	209
Total equity		**152,252**	157,611
Non-current liabilities			
Pension obligations		**529**	620
Long-term bank loan – non-current portion		**–**	14,787
Deferred tax liabilities		**150**	2,517
		152,931	175,535

Notes:

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below:

Basis of preparation and impact of new and revised HKFRSs and HKASs

The Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention except that financial assets and liabilities at fair value through profit or loss and investment properties are stated at fair value.

The accounting policies and methods of computation used in the preparation of the Financial Statements are consistent with those used in 2005 except that the Group has changed certain of its accounting policies following its adoption of new and revised HKFRSs and HKASs which are effective for accounting years beginning on or after 1st January 2005.

The preparation of Financial Statements in conformity with the New HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The relevant changes to the Group's accounting policies and the effect of adopting those new policies are set out below:

Effect of adopting New HKFRSs

For the year ended 30th September 2006, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 33, 36, 38, HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures;
– HKASs 2, 7, 8, 10, 16, 17, 23, 27, 33, 36, HKAS-Int 15 and HKFRS 3 had no material effect on the Group's accounting policies;
– HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements;
– HKAS 24 has affected the identification of related parties and some other related-party disclosures; and
– The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment was resulted from this reassessment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30th September 2005, the provision of share options to employees did not result in an expense in the income statements. Effective 1st October 2005, the Group expenses the cost of share options in the income statement. The Group did not have any share options which were granted after 7th November 2002 and had not yet vested on 1st October 2005. Therefore, no adjustment was made to the Financial Statements on the costs, if any, of these share options.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application except:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
– HKAS 39 – the standard does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to trading investments. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and considered immaterial;
– HKAS-Int 15 – the standard does not require the recognition of incentives for leases beginning before 1st October 2005; and
– HKFRS 2 – retrospective application only applies to all equity instruments granted after 7th November 2002 and not vested at 1st October 2005.

Certain new 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 2006 or later periods. 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, Revenue 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. Revenues recognised during the year are as follows:

(a) Primary reporting format – business segments

	Retailing		Services		Elimination		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**327,832**	284,808	**156,186**	129,080	**–**	–	**484,018**	413,888
Inter-segment sales	**21,563**	15,088	**–**	–	**(21,563)**	(15,088)	**–**	–
Total	**349,395**	299,896	**156,186**	129,080	**(21,563)**	(15,088)	**484,018**	413,888
Segment results	**27,033**	15,394	**18,504**	13,990	**–**	–	**45,537**	29,384
Other revenues							**3,364**	2,646
Gain arising from change in fair value of investment properties							**–**	23,763
Unallocated corporate expenses							**(35,302)**	(37,857)
Profit before taxation							**13,599**	17,936
Taxation							**733**	(4,653)
Profit after taxation							**14,332**	13,283

(b) Secondary reporting format – geographical segments

	Turnover 2006 HK$'000	2005 HK$'000
Hong Kong and Macau	**261,042**	227,267
China	**159,265**	111,388
Taiwan	**53,772**	67,353
Singapore	**9,939**	7,880
	484,018	413,888

3. Profit before Taxation

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

	2006 HK$'000	2005 HK$'000
Crediting		
Gain on redemption of other investment	–	34
Gain on disposal of trading investments	**57**	580
Gain on disposal of investment properties	**1,975**	–
Net exchange gain/(loss)	**803**	(315)
Charging		
Amortisation of intangible assets	**850**	1,325
Auditors' remuneration	**1,430**	1,286
Loss on disposal of property, plant and equipment	**4**	–
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**43,196**	40,153
– contingent rent	**4,427**	2,837
Interest expense on long-term bank loan	**610**	597

4. Taxation

	2006 HK$'000	2005 HK$'000
Current taxation		
Hong Kong profits tax	**2,348**	1,107
Overseas taxation	**2,072**	490
Over provision in prior years	**(514)**	(421)
Deferred taxation relating to the origination and reversal of temporary differences	**(4,639)**	3,477
	(733)	4,653

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year 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 year at the rates of taxation prevailing in the countries/places in which the Group operates.

5. Dividends

	2006 HK$'000	2005 HK$'000
Interim dividend declared and paid of 2.0 HK cents (2005: 1.0 HK cents) per share	**6,846**	3,421
Special interim dividend declared and paid of 1.0 HK cents (2005: 2.5 HK cents) per share	**3,423**	8,553
	10,269	11,974
Final dividend proposed after balance sheet date of 4.0 HK cents (2005: 3.0 HK cents) per share	**13,697**	10,263
Special final dividend proposed after balance sheet date of 1.0 HK cents (2005: Nil) per share	**3,424**	–
	17,121	10,263
	27,390	22,237

6. Earnings per Share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK$13,600,000 (2005: HK$12,762,000) and the weighted average number of 342,173,534 (2005: 342,116,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there is no potential dilutive shares.

7. Accounts Receivable

Details of the aging analysis are as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**34,263**	27,349
31 days to 60 days	**4,431**	2,564
61 days to 90 days	**921**	527
Over 90 days	**117**	1,311
	39,732	31,751

Credit terms generally range from 30 days to 90 days.

The fair value of accounts receivable approximates its carrying amount.

Accounts receivable are mainly denominated in Hong Kong dollars, New Taiwan dollars and Renminbi.

8. Accounts Payable

Details of the aging analysis are as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**6,231**	11,330

The fair value of accounts payable approximates its carrying amount.

Accounts payable are mainly denominated in US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

The year under review has been one in which the Group has delivered on the promises it made during the year for expansion in the China market. It has also been one in which, by acquiring distribution rights for Neutrogena products, the Group has successfully diversified its product range for the China market. The mode of the Group's major direct investment in China is now about to be replaced with a franchising model for future expansion. Hong Kong (together with Macau) continued to contribute around more than 50% of the Group's revenue for the year, due particularly to its successful beauty services business. The Group has worked hard to maximise returns from this mature and relatively stable market, while also adjusting its presence in Macau, Taiwan and Singapore to achieve optimum levels of market penetration based on the particular characteristics of each territory.

Overall results for the year under review have been very positive, with the Group enjoying a record high turnover. Excluding gains arising from changes in the fair value of investment properties, the Group's profit attributable to shareholders increased sharply to HK$13,600,000. Specifically, turnover from the Group's Hong Kong and Macau retail outlets increased over the previous year, while its beauty businesses continued to drive earnings. Within China, the profit contribution from the Group's ~H_2O+ operations represented a record high, and was double the profit contribution of the previous year.

~H_2O+ Retail Business

China: new initiatives in a fast-growing market

The Group has continued to roll out new outlets ahead of schedule as part of the expansion of its ~H_2O+ retail presence in China. The number of outlets stood at 115 at the date of the Interim Report, and the Group is now already well on target to reach its stated goal by having 136 outlets operating by now. Having established a core group of self-owned ~H_2O+ stores in key cities in China, expansion is now primarily being driven by franchising arrangements with approved distributors, keeping further expansion costs low and minimising any associated risks.

Hong Kong: maintaining the best retail positioning

The Group's expansion plans are currently focused primarily in the China market, which offers extensive growth opportunities. Within Hong Kong and Macau, the Group is continuing to emphasis the importance of guaranteeing exposure in the best retail environment while optimising rental arrangements, and that has meant adjusting the locations of its stores where necessary. For instance, the Group's Log-On ~H_2O+ outlet in Taikooshing was closed in September 2006 but this was followed a month later by the opening of a new ~H_2O+ outlet in the nearby Jusco department store. Changes in the past year in Hong Kong have not significantly involved any reduction in the number of outlets operating, with the number of Hong Kong and Macau retail outlets remaining steady at 16.

Elsewhere in Asia: adjusting to changing realities

At year end, the Group operated four outlets in Singapore. As intimated in the Interim Report, it has become clear that ~H_2O+ department store outlets offer a better model for the Group's operations in Singapore than standalone stores. With this in mind, the Group expects to readjust its presence in Singapore in the coming year.

The economy in Taiwan, meanwhile, did not perform well in the past year and the political environment was unstable. As a result, the Group's business was affected. And the political strife there in late 2006 is expected to prolong the market downturn. The Group will continue outlet rationalisation in Taiwan to overcome market challenges in 2007.

Neutrogena Business

Neutrogena: diversification in the China context

The Group's involvement in distributing Neutrogena products in the China market, beginning from its agreement with Neutrogena's makers Johnson & Johnson in April 2006, has involved a rapid roll-out of outlets in China. Originally committed to having 40 outlets up and running by the end of 2006, as at the time of writing there are 41 in operation, 38 of those are directly operated by the Group. With this core selection of self-operated outlets in place, the Group expects most new outlets from now on to be operated on a franchise basis, which should result in further rapid growth in the number of outlets over the next few months. The franchise arrangement offers many benefits to the Group, including removing inventory and receivables risks, as all products are supplied to franchisees on a strictly cash-on-delivery basis.

Spa and Beauty Businesses

Spa and beauty businesses: positive profitability

By mid-year, the Group's Oasis Spa business had turned around from a loss-making to a profit-making position. That strong run has continued right to the end of the fiscal year, supported by ongoing success of the Oasis Beauty chain. As a result, the spa and beauty side of the Group's overall business has contributed a solid 32% and over 40% of the Group's turnover and segment results respectively for the year.

The Group is now also ready to transplant its highly successful beauty centre model into the China market. Although originally intending to open its first beauty centre in Shanghai, the Group's flagship location will now be situated in Beijing. This reconsideration came about because the Group was offered a very attractive opportunity by a major Hong Kong developer, Sun Hung Kai. The developer invited the Group to become a tenant of one of its buildings, excellently situated in a popular and prestigious retail environment near Oriental Plaza in the Beijing CBD, at very favourable rates.

The Group took possession of the premises on 16th December 2006, and they are currently being renovated and fitted out. The new beauty centre is expected to open for business in April 2007. If the new beauty centre attracts a customer base according to forecasts, the Group targets to have a total of three beauty centres operational by the end of 2007. It is already exploring possible locations for further branches, including in Shanghai.

Oasis Beauty School

The Group's Oasis Beauty School continued its operations across the year, offering professional qualifications for those wishing to work in the beauty business. The School recorded a small loss for the year, but it continues to offer a value-added factor to the Group by giving access to high potential candidates for recruitment.

Prospects

Selected Oasis Beauty expansion

Latest assessment of the performance of the Group's beauty service centres has shown that some Oasis Beauty Centres in Hong Kong needed more capacity to meet demand during peak hours. Thus, the Group plans to integrate the three Sure Slim centres into the Oasis Beauty chain to achieve better economy of scale, more efficient use of management resources and to help cater for the increased demand in certain Oasis Beauty Centres. As certain facilities such as shower rooms, in existing Sure Slim centres are not available in most Oasis Beauty Centres, integrating Sure Slim into the Oasis Beauty chain will add value to the Group's beauty services.

Future growth for Neutrogena

The Group's involvement in distributing Neutrogena products began in early April 2006, and the latest figures (from October to December 2006) have already shown positive contributions from the existing (and still rapidly expanding) Neutrogena network in department stores in China. The Group expects this side of its business to begin contributing more significant profits in the coming fiscal year, particularly as it expands its franchise arrangements.

Using the franchise model, the Group has been pursuing an aggressive but carefully planned and realistic roll-out plan, and expects to have at least 120 Neutrogena counters in place by the end of 2007 in department stores in China. The brand's makers, Johnson & Johnson, have also committed themselves to providing more upmarket product lines from the US for distribution in China. These products, aimed at high-end customers, should further improve the Group's revenue generated from China.

Other opportunities

As reported earlier, the Group has already started renovation work for premises in Beijing where its first China beauty centre will be located. Renovations are currently underway, and the Group expects to begin operations by April 2007. Given its success in implementing the beauty centre concept in Hong Kong and its growing familiarity with the China market, the Group is optimistic that this new venture holds great promise. Indeed, as in Hong Kong, many customers in China will see the new beauty centre in Beijing as a natural extension of the Group's popular existing retail services. The Group already has a very considerable database of Oasis Club members in China, which it expects will provide the core of a wider wave of consumers looking for more upmarket beauty services than has been previously available. Because the market for quality beauty centres is still largely undeveloped in China, the Group believes there is huge potential for its growth within this sector.

At the same time, the Group will be introducing some exciting new ~H_2O+ products in the coming year that it expects will further boost the brand's reputation for quality and effectiveness. During 2007, almost every month will see the launch of a new ~H_2O+ product, including some new high-performance skincare products that are designed to work as integrated treatment series.

The Group also plans to launch a range of ~H_2O+ health drinks in the first half of 2007. These health drinks were initially sourced by Water Oasis from Japan, and have since been tested by H_2O Plus, L.P., in the United States and accorded ~H_2O+ branding. This product line represents the first ever ~H_2O+ health supplement product to come onto the market.

Positive macro-economic contexts

The announcement in early December 2006 that Hong Kong has abandoned possible plans to impose a GST represented good news for the Group along with the rest of the retail sector. Also at a macro level, the Group is aware of the possibility of benefits accruing to it if the RMB were to be allowed to appreciate in the coming year. As more and more of the Group's revenue originates from China, the potential of a strong RMB to boost the Group's profits is a very real one. For the year under review, 33% of the Group's total turnover originated from Mainland China, a 6% rise over the 27% recorded in the last fiscal year. With China's GDP predicted to rise sharply again in the coming year, prospects for the Group's China businesses look very positive.

Other

The Group sold its Causeway Bay investment properties during the year ended 30th September 2006. Details of which has already been set out in the Company's circular to shareholders dated 7th April 2006 and the Group's 2006 Interim Report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position remained very strong. Its cash and bank deposits as at 30th September 2006 amounted to approximately HK$138.1 million (2005: HK$85.7 million). The Group generally finances its operation with internally generated resources.

As at 30th September 2006, the Group has no outstanding bank loan (2005: HK$16.7 million pledged by certain investment properties as security for the bank loan).

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

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have proposed a final dividend of 4.0 HK cents and a special dividend of 1.0 HK cents per share for the year ended 30th September 2006 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 22nd March 2007. The Register of Members will be closed from 16th March 2007 to 22nd March 2007, both days inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Standard Registrars 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 15th March 2007. The relevant dividend warrants will be dispatched to shareholders on 3rd April 2007.

HUMAN RESOURCES

As at 30th September 2006, the Group employed 1,236 staff (2005: 1,030). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Options to subscribe for a maximum of approximately 25 million shares in the Company in aggregate had been granted and are outstanding as at 30th September 2006 to certain directors and employees pursuant to the Company's share option scheme. Exercise prices of which range from HK$0.42 to HK$1.67.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the Financial Statements of the Group for the year ended 30th September 2006 with management and discussed with the independent auditors matters on auditing, internal control and financial reporting in respect of the Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30th September 2006, 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 Provision") set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 30th September 2006.

Code Provision A.2.1

The Board of the Company 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 him 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 maximizes 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.

REMUNERATION COMMITTEE

To comply with the 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 Senior Human Resources Manager.

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.

The Remuneration Committee shall meet at least once every year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters.

During the year ended 30th September 2006, one Remuneration Committee meeting was held.

COMPLIANCE WITH THE MODEL CODE

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. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement of the Company for the year ended 30th September 2006 containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

By Order of the Board
YU Lai Si
Executive Director and Chief Executive Officer

Hong Kong, 16th January 2007

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 *JP*, Wong Chun Nam and Wong Chi Keung.

Please also refer to the published version of this announcement in The Standard.