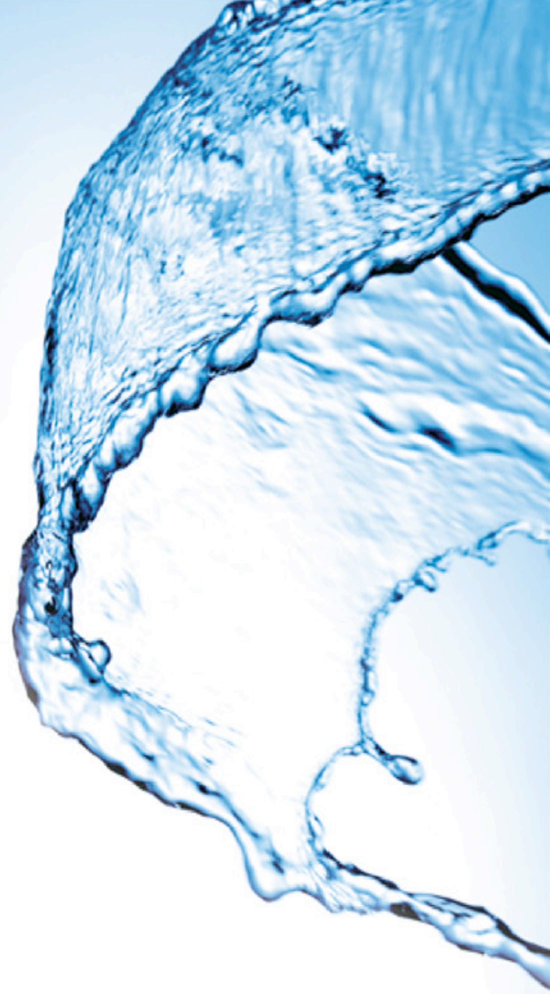
Water **Oasis** Group Limited
奧思集團有限公司

Stock Code 股份代號：1161

超越創新 再獻新猶

New Spirit of Innovation

ANNUAL REPORT 年報 2013



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Corporate Profile

Since its founding in 1998, Water Oasis Group (the "Group") has rapidly developed to become one of the region's leading skincare and beauty services groups. Over the years, the Group has established an extensive sales and distribution network in the region. The Group has the exclusive distribution rights for branded skincare products, including the renowned American brand "h2o+" in Hong Kong, Macau and Singapore, as well as the respected high-end dermatologist skincare brand "Erno Laszlo" from New York for both Hong Kong and Macau.

Embracing a new role as a brand owner, the Group has successfully acquired a Swiss skincare brand "Glycel" in May 2010 with its trademark registered in more than 60 countries worldwide, making a milestone for the Group. Glycel is a prestigious brand of cell rejuvenation expert from Switzerland.

In addition, the Group has diversified its beauty businesses over the years, operating spas and beauty services under the "Oasis Spa," "Oasis Beauty", "Aqua Beauty", "Oasis Homme", "Glycel Skin Spa" and "Oasis Medical Centre" brands. These businesses provide a full spectrum of professional beauty services to a wide swath of customers. To rapidly penetrate the beauty services market in Mainland China, the Group is also setting up a franchise base for Oasis Beauty centres.

h2o+

Boasting water-based, oil-free formula and health benefits from its use of ingredients extracted from the sea, the h2o+ range has wide appeal for men and women alike. h2o+ products sold include skincare, bodycare and health supplement products. As at 30th September, 2013, there was a total of 18 retail outlets including 16 in Hong Kong, 1 in Macau, and 1 in Singapore.

Glycel

Glycel is a prominent brand from Switzerland and is particularly respected for its anti-aging products. Its trademarks are registered in more than 60 countries around the world, and its effective distribution channels have enabled its products to gain significant market share in Hong Kong through more than 20 years. The brand acquisition was completed in May 2010 and become a self-owned brand and operate brand of the Group. As at 30th September, 2013, there were 8, 2 and 6 retail outlets in Hong Kong, Taiwan and PRC respectively, complemented by 6 skin spas operating in Hong Kong.

Erno Laszlo

Erno Laszlo is a prestigious high-end skincare brand with long history founded by a renowned dermatologist Dr. Erno Laszlo in 1927. The brand is favourite among celebrities and Hollywood movie stars. The Group has obtained an exclusive distributorship rights for both Hong Kong and Macau starting in June 2009. Widely prominent for its high quality, Erno Laszlo has debuted in premium department counters as well as operating 6 retail outlets in Hong Kong as at 30th September, 2013.

Superior Spa and Beauty Centres

The Group operates a total of 26 spa and beauty centres in Hong Kong, highlighted by 3 "Oasis Spa" outlets, providing comprehensive beauty and slimming treatments, hydro-bath and massage services applying a full range of h2o+, Glycel and Erno Laszlo products. In addition, the Group also operates 14 "Oasis Beauty" centres, and 2 "Aqua Beauty" centres for women plus 1 "Oasis Homme" centre for men. Moreover, as part of the Group's acquisition of the Glycel brand, 6 "Glycel Skin Spa" outlets have provided a new impetus to the Group's beauty services business. These spas and beauty centres offer a wide range of competitively priced beauty treatments targeting the high-end, mid-range and mass market customers. As at 30th September, 2013, the Group also operated 4 "Oasis Beauty" centres including 3 in Beijing and 1 flagship store in Shanghai, Mainland China.

Medical Beauty

To provide a more comprehensive spectrum of beauty services, the Group has started the Oasis Medical Centre business in January 2008 operating a total of 5 centres in Hong Kong as at 30th September, 2013. Staffed by registered medical doctors and professional therapists with extensive medical beauty experiences, these centres offer advanced, safe and professional medical beauty treatments to customers. The new value-added business represents expansion of the Group's operations in alignment with its core business.

Other Business

The Group also operates other supporting business namely "Oasis Florist".

Water Oasis Group Limited was listed on the Main Board of the Stock Exchange of Hong Kong Limited in March 2002.

CEO Dialogue

An interview with Ms. Stevie Wong, who took over as CEO of the Water Oasis Group in October 2013.

Q: What made you join Water Oasis?

A: It's important for me to constantly embrace new challenges and new aspirations. Water Oasis fits the picture perfectly. A strong, proven business in the beauty domain, it is well-established in the market but has reached a crucial phase of its development. I am a veteran in the beauty industry, but I have not previously been at the helm of a beauty services business. This company is therefore offering me new professional experiences, with the CEO role raising my horizons even further. The prospect of coming aboard at this point and playing a major hand in transforming what has traditionally been a family-based business into an effective world-class one is something I am relishing. That said, I certainly don't envision my role as that of a "new broom". Water Oasis has always been an innovative and pioneering company from its first beginnings. I was very attracted to this tradition of innovation, and I see myself now as, I hope, initiating a new chapter in this proud spirit of innovation.

Q: Where do you see potential in today's beauty market?

A: The beauty market certainly has plenty of potential. This is particularly the case for high-end and high-efficacy beauty services, where both the Hong Kong market and especially the China market are much less mature than, say, Korea, Japan and Taiwan. What's more, beauty service operations face much less pressure from rising rent costs than retail operations, and profit margins are higher too. The cost structure is much more viable and the financial attractiveness is greater. We will certainly be focusing on ways of growing this important market in innovative ways, and given Water Oasis's tradition of innovation, no-one should be surprised to see us initiating new strategies as we go forward.

Q: What do you think will be the biggest challenge in your new role and how do you plan to tackle it?

A: I see my role as involving two types of challenges; the business challenge of taking Water Oasis to new levels of achievement, and the leadership challenge of doing this in a way that works most effectively for the Group and its organization. Although Water Oasis is a sound performer and is in good shape financially, it is ready for a transformation that will help it better exploit the current realities of the industry. I see my task as one of creating an inspirational vision, developing innovative strategies and a profitable business model, and most importantly building the Group's long term capabilities in ways that will sustain the profitable growth we are aiming for. "Strengthen the core and seed for the future" is the motto I am bringing to my role with Water Oasis. The first priority is to focus on building momentum for the core businesses; then we will look at developing a clear future vision along with the strategic options to realize that vision.

Q: What do you see as the main growth driver for Water Oasis over the next few years?

A: Our beauty services business is continuing to grow, and our customer base for that is an increasingly solid and loyal one. Properly developed, I see this as being a core growth driver for the next few years. We have seen both our Oasis Medical Centres and Oasis Spa outlets achieving double-digit growth in this past year, and that is certainly a sign that these service models are meeting a real and growing demand. So we will prioritize the onward development of our beauty services business; but I think this will be backed by a revived performance from our retail business too, after the process of consolidation we have carried out over the past year or so. All in all, we will be working to "maximize our strengths and strengthen our core", by focusing on what works best in the Hong Kong market and using that as a solid foundation from which to expand carefully into the PRC.

Stevie Wong
Chief Executive Officer
18th December, 2013

Management Discussion and Analysis

For the year ended 30th September, 2013, the Group recorded a fall in overall turnover of 23.7% compared with its turnover for 2012. This was primarily the result of the full-year effects of the loss of the Group's h2o+ distributor rights for the PRC and Taiwan in 2012. Besides, the fall in profit attributable to owners of the Company of 49.6% to HK$34.3 million was mainly because of the one-off cost for additional remuneration and entitlements of certain employees for prior periods and the effect due to the decrease in sales as a result of the loss of h2o+ distributorship in the PRC and Taiwan. However, gross profit margin showed an increase due to the greater contribution made by the Group's higher-margin products and services, including its Glycel and Erno Laszlo brands and its beauty services businesses. Basic earnings per share for the year amounted to 4.5 HK cents (2012: 8.9 HK cents).

During the review period, some areas of the Group's business performed acceptably, and some showed considerable promise for future development. A strong performance from the Group's Hong Kong beauty services segment resulted in a noticeable change in the Group's overall business mix by year-end. Contributions from beauty services rose from 51.5% in 2012 to 68.2% at 30th September, 2013. This shift in business mix was largely responsible for a rise in the Group's gross profit margin, from 80.7% for 2012 to 88.6% for the year under review.

As with many other players in Hong Kong, spiralling rent prices took a toll on the Group as leases on retail outlets came up for renewal during the year. This pressure was supplemented by rising labour costs, with the Group having to pay higher salaries in order to attract and retain employees of the calibre it needs to maintain its quality brand image. The Group has been proactive in addressing these issues, however, and has managed to offset part of these cost pressures through various initiatives. Some outlets have been moved to lower-cost locations where viable, but in other cases the Group has been able to reduce its rental costs simply by reducing the size of existing outlets, and using its retail space in more efficient ways.

Focusing on the Group's core Hong Kong operations, a breakdown of the year's statistics suggests some promising developments. Not only did the Group's sales performance in Hong Kong in the second half improve over its first-half performance, but the second-half sales results were also up on the results for the same period in 2011-2012. Overall, these comparative figures suggest that the Group's sales performance in Hong Kong remains stable, and is in the process of gradually strengthening.

The Group remains financially strong, with bank balances and cash as at 30th September, 2013 of approximately HK$184.7 million. At the same date, the Group's current ratio was 0.8 : 1, and its debt-equity ratio was 11.4%. The consistently solid cash situation is a result of the Group's longstanding policy of financial prudence. It was boosted with the redemption on 3rd May, 2013, of all its outstanding Convertible Bond in the aggregate principal amount of HK$39.0 million upon their maturity with the spare cash in hand leading to an improvement on the debt-equity ratio.

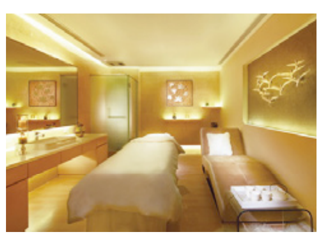
In view of the Group's strong liquidity due to continuously positive cashflow from operations, and no short-term need for major cash outlays, the Board of Directors has recommended a final dividend of 1.5 HK cents per share, bringing the full-year dividend to 4.0 HK cents per share (2012: 8.5 HK cents).

Business Review

I. SPA AND BEAUTY BUSINESS

The Group's beauty services business performed well in the year under review, and its increasing contribution to the Group's overall revenue has led to an adjustment in the business mix which is boosting profitability.

At 30th September, 2013, the Group was operating three high-end spas under the name of Oasis Spa, the contribution from which rose by approximately 13% over last year. Its specialist Oasis Medical Centre performed even better, posting an increase of approximately 20% over last year's results; this was achieved from a total of five Oasis Medical Centres across Hong Kong. Meanwhile, the Group's Oasis Beauty, Aqua Beauty and Oasis Homme centres, of which 17 centres were operating in the period, maintained a steady performance.



In China, the Group's three existing Oasis Beauty centres in Beijing have achieved full-year profitability. During the review year, the Group opened one new Oasis Beauty outlet in the Pudong area of Shanghai in February 2013, which is currently at the initial stage of establishing its presence in the local market. Besides this expansion of its self-managed beauty centres in the PRC, the Group also began testing a franchise model for Oasis Beauty in the country during the year, with its first franchised Oasis Beauty centre being launched in the second half. The Group's strategy for proceeding with its PRC beauty operations will remain a cautious step-by-step process, involving careful analysis of different approaches. The Group will be scrutinizing the performance of the trial franchised outlet closely in order to assess the viability of this business model for its PRC beauty operations.

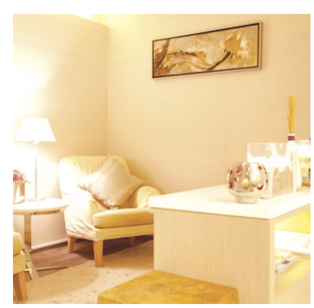
II. BRAND OWNERSHIP AND DISTRIBUTION

Glycel

Sales of the Group's own Glycel brand continued strong in Hong Kong, such that the brand increased its contribution to the Group's overall revenue, registering an approximately of 13% increase in sales revenue for the year. Growth in sales in Hong Kong was particularly noticeable. Currently, Glycel's products and services are sold in 14 retail outlets and skin spas in Hong Kong, against 9 at the same time last year. In the PRC there are six Glycel outlets, including one that is operating under a franchise arrangement and a further two in Taiwan.

In a move to raise the profile of its corporate social responsibility activities, in May 2013 the Group was the Title Sponsor of the Wai Yin Association Charity Ball 2013 under its Glycel brand.

In the PRC, the Group's Glycel outlets are at the early stages of investment and evaluation. They are currently establishing themselves in the market there, and the Group will be analyzing their performance and market responses closely with a view to selecting the best possible growth and return strategies going forward.



h2o+

Overall, the Group's h2o+ brand experienced a decline over the year, which proved to be the primary driver of the Group's overall dip in sales for the year. The number of h2o+ outlets across Hong Kong remained stable; two h2o+ outlets were closed during the year due to non-viable lease renewal terms, but these were balanced by five new h2o+ outlets being opened in new locations. The new outlets are in promising locations including Plaza Hollywood, PopCorn, Tai Po Mega Mall, Olympian City and V city with reasonable rental terms, and the Group is expecting them to perform well. As at 30th September, 2013, the Group was operating 16 h2o+ outlets in Hong Kong.

Erno Laszlo

Shortly after the end of the period covered by this report, the Group renewed its Hong Kong and Macau distributorship agreement for its Erno Laszlo brand for a further seven years, taking its rights through to the end of 2020. At the same time, it surrendered the distribution right for Erno Laszlo for the PRC. It had not to that point completed product registration procedures for the PRC, nor had it opened any sales outlets for the brand. The decision to surrender the distribution right was based on the Group's decision to focus its resources in Hong Kong as well as on proven contributors such as its beauty services business.

Sales of Erno Laszlo in Hong Kong rose by almost 30% over the previous year, continuing last year's significant upward trend. This year's growth was achieved despite one Erno Laszlo outlet (in Shatin) being closed during the period, suggesting strong future potential for the brand.

PROSPECTS

The Group's focus in the coming period will be on "strengthening the core and seeding for the future"; that is, identifying and investing in those aspects of its business that offer most potential for long-term innovation and growth.

This will involve greater efforts in marketing its core businesses over the coming year, allied with concerted innovation efforts that will help keep the Group's offerings fresh and ever-changing. Given the increasing contribution of its beauty services, their higher profit margins and lower costs pressure, this segment will be of particular concern for the Group going forward. Strategies are currently in the process of being developed to find new ways of unlocking the rich potential of this strong market.

The Group's Hong Kong retail business will also be given the close attention it needs to continue to thrive. As key brands Glycel, h2o+ and Erno Laszlo continue to attract consumers, the Group will continue to roll out strategically placed, cost-effective new stores. New stores for these brands will shortly be opened in the popular upper middle-class shopping malls.

In China, controlling costs will be a priority in the first instance, to ensure that brand development efforts are not undermined by unnecessary expenditure. The focus will be on achieving profitably through cautious and prudent management; once this is being consistently achieved, the steps for steady expansion will be easier to implement.

In short, the motto of "Strengthen the core and seed for the future" will set the tone for the coming year, with close attention being paid to investing in maximizing the current portfolio, especially in Hong Kong, while at the same time developing new directions for the business as a whole. Most importantly, the coming months will be a time of developing and testing new business models for the Group that will boost profitability, better integrate the retail and services sides, and provide a sounder basis for further growth in China.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 63, is one of the founders of the Group and the founder of the Group's Taiwan operation. He is the chairman of disclosure committee and a member of investment advisory committee of the Company and retired as Acting Chief Executive Officer of the Company effective from 2nd October, 2013. He holds a Bachelor's Degree in Business Administration from the University of Hawaii. Mr. Yu started his career in trading in the United States in 1993. In 1999, he set up Water Babe Company Limited, through which the Group's Taiwan operations are run and is the managing director of that company. Mr. Yu is primarily responsible for the business development of the Group. Mr. Yu is the brother of Ms. Yu Lai Chu, Eileen, Ms. Lai Yin Ping's husband, the brother-in-law of Mr. Tam Chie Sang, the uncle of Mr. Tam Siu Kei, Alan and the father of Mr. Yu Ho Kwan, Steven.

Mr. TAM Chie Sang, aged 61, is one of the founders of the Group. He started his career in the retail and services industry in 1967 and once owned and managed a retail jewellery chain. Since 2006, Mr. Tam started building up his business in catering industry. Mr. Tam first became involved in the cosmetic and skincare businesses in 1993 and was, together with Ms. Yu Lai Chu, Eileen, the sole distributor for several well-known international brands before the founders set up the Group. Mr. Tam is primarily responsible for the strategic planning of the Group. Mr. Tam is a member of the Chinese People's Political Consultative Conference, Nanning City, Guangxi, the PRC and the former Officers Club Principal Adviser (Southern District) of Auxiliary Medical Service. Mr. Tam is the husband of Ms. Yu Lai Chu, Eileen, the brother-in-law of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping; the uncle of Mr. Yu Ho Kwan, Steven and the father of Mr. Tam Siu Kei, Alan.

Ms. YU Lai Chu, Eileen, aged 61, is one of the founders of the Group. Ms. Yu started her own realty agency business in 1984 and she managed a retail jewellery chain with Mr. Tam Chie Sang. In 1993, she entered into the cosmetic and skincare market. Ms. Yu and Mr. Tam Chie Sang acted as the sole distributor of a number of well-known international brands of cosmetics. She is primarily responsible for the business development of the Group with particular emphasis on the spa business. Ms. Yu is the sister of Mr. Yu Kam Shui, Erastus, the wife of Mr. Tam Chie Sang, the sister-in-law of Ms. Lai Yin Ping, the aunt of Mr. Yu Ho Kwan, Steven and the mother of Mr. Tam Siu Kei, Alan.

Ms. LAI Yin Ping, aged 58, is one of the founders of the Group. She holds a Bachelor's Degree in Arts with Economics as her major. Prior to founding the Group in May 1998, she co-founded a trading business with Mr. Yu Kam Shui, Erastus in the United States in 1993. Ms. Lai is primarily responsible for the strategic planning of the Group. Ms. Lai is the wife of Mr. Yu Kam Shui, Erastus, sister-in-law of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen and is the aunt of Mr. Tam Siu Kei, Alan and the mother of Mr. Yu Ho Kwan, Steven.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. WONG Lung Tak, Patrick, B.B.S., J.P., aged 65, is an independent non-executive director since 2001, the chairman of audit committee and the members of disclosure committee, investment advisory committee, nomination committee and remuneration committee of the Company. Prof. Wong is a Practising Certified Public Accountant. He is the managing practicing director of Patrick Wong CPA Limited and has over 30 years' experience in the accountancy profession. Prof. Wong obtained a Doctor of Philosophy Degree in Business, was awarded a Badge of Honour in 1993 by the Queen of England. He has been appointed as a Justice of the Peace since 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) in 2010 by The Government of the Hong Kong Special Administrative Region. Prof. Wong is currently an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Galaxy Entertainment Group Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly Guangzhou Pharmaceutical Company Limited), Real Nutriceutical Group Limited, Sino Oil and Gas Holdings Limited, National Arts Entertainment and Culture Group Limited and Winox Holdings Limited, all are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, Duffy, J.P., aged 60, is an independent non-executive director since 2001, the chairman of remuneration committee and members of audit committee, disclosure committee, investment advisory committee and nomination committee of the Company. Mr. Wong is a partner of Ho, Wong & Wong Solicitors & Notaries, practising commercial, corporate and tax laws. Mr. Wong has been a practising solicitor in Hong Kong since 1982 and is also a Notary Public, a Chartered Secretary, a Certified Tax Adviser, an Accredited General Mediator and a member of the Chartered Institute of Arbitrators. He participates in many public services including being a Justice of the Peace, the Chief Adjudicator of Immigration Tribunal and the Chairman of the Quality Education Fund Steering Committee.

Dr. WONG Chi Keung, aged 58, is an independent non-executive director since 2004, the chairman of investment advisory committee and nomination committee and members of audit committee, disclosure committee and remuneration committee of the Company. Dr. Wong holds a Doctorate Degree in Business and is a member of the Hong Kong Institute of Housing, Chartered Institute of Housing and Royal Institute of Chartered Surveyors. He is a fellow of both The Hong Kong Institute of Directors and the Hong Kong Institute of Real Estate Administrators. He is an honorary fellow of Guangxi Academy of Social Science as well as a member of the Chinese People's Political Consultative Conference, Nanning City, Guangxi, the PRC, and a Senior Assistant Commissioner of Hong Kong Auxiliary Medical Services. Dr. Wong has also held various senior executive positions with some of Hong Kong's leading property companies. Dr. Wong is currently the managing director of Y. T. Realty Group Limited and executive director of The Cross-Harbour (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. Besides, he is a director of The Hong Kong School of Motoring Limited and an alternate director of Autotoll Limited.

SENIOR MANAGEMENT

Ms. Wong Man Lai, Stevie, aged 43, is the Chief Executive Officer of the Group starting from 2nd October, 2013. She has had more than 20 years of extensive leadership experience in management, marketing and sales, operations and product innovation with a strong track record of leading and developing successful beauty & skincare brand businesses in Greater China and Asia. Prior to joining the Group, she was the Vice President of Global Strategy and Innovation, Premium Consumer of a leading global consumer products and beauty care company. She has graduated from Chinese University of Hong Kong with a degree of bachelor of business administration, majoring in business administration.

Mr. AU Moon Ying, Henry, aged 47, is the Chief Financial Officer of the Group. Prior to joining the Group since March 2007, Mr. Au has over 20 years of financial management, accounting, auditing, business planning and development experiences in various blue-chip listed companies and in an international accounting firm. He holds a Master Degree in Business Administration and a Bachelor Degree of Arts (Hons.) majoring in Accountancy. Mr. Au is a Chartered Accountant of England and Wales, a Practising Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants as well as an associate of the Institute of Canadian General Accountants.

Ms. AU YEUNG Ka Yee, Karen, aged 41, is the PR & Corporate Communications Director of the Group and is responsible for overseeing the Group's PR functions at both corporate and consumer levels as well as customer services hotline functions. Ms. Au Yeung has over 18 years of corporate and marketing communications experiences spanning a wide range of business and industries. Prior to joining the Group in 2005, Ms. Au Yeung was the Associate Director of a famous PR agency, where she handled major accounts including global skincare brands, retail brands, fast moving consumer goods and listed companies. Ms. Au Yeung obtained her Bachelor of Social Science (Hons.) degree in Communications majoring in Public Relations and Advertising from Hong Kong Baptist University.

Ms. KIU Wai Kei, Noel, aged 46, is the Human Resources Director of the Group. Ms. Kiu holds a Master Degree in Human Resources Management and a Bachelor Degree in Social Science. Prior to joining the Group in January 2011, Ms. Kiu has over 20 years of human resources experiences working for various reputable multinational corporations and Hong Kong listed companies as Regional and Group Human Resources Heads.

Mr. TAM Siu Kei, Alan, aged 36, is the Director – Group Operation. Joining the Group in 1999, Mr. Tam is currently in charge of retail and beauty services operations in Hong Kong, Macau, PRC, Taiwan and Singapore. Mr. Tam holds a Bachelor of Arts Degree in Contemporary English Language. Mr. Tam is the son of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen and the nephew of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping, all are directors of the Company. Mr. Tam is the cousin of Mr. Yu Ho Kwan, Steven, who is the Director – Mainland China.

Ms. TIN Lai Lai, Fion, aged 36, is the Marketing Director of the Group responsible for overseeing marketing, advertising and promotion functions. Ms. Tin has more than 10 years of experiences in these areas and she holds a Bachelor of Business Administration Degree. Prior to joining the Group in July 2006, Ms. Tin had worked for various global advertising agencies serving clients from a wide range of businesses and industries.

Mr. YU Ho Kwan, Steven, aged 30, is the Director – Mainland China. He graduated from University of Wisconsin – Madison of United States of America, with a degree in Bachelor of Business Administration. Prior to joining the Group in January 2011, Mr. Yu had experiences in accounting and corporate finance areas working in international accounting firm and corporate finance firm. Mr. Yu obtained his Certified Public Accountant licence in the United States. Mr. Yu is the son of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping; the nephew of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen, all of which are directors of the Company. Mr. Yu is the cousin of Mr. Tam Siu Kei, Alan, who is the Director – Group Operation.

Corporate Governance Report

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 30th September, 2013.

The Board is committed itself to enhance the standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 30th September, 2013.

CODE PROVISION A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", whereas Mr. Yu Kam Shui, Erastus, the Acting CEO of the Group had been carrying out the duties of both the Chairman and CEO throughout the year and up to 1st October, 2013. Subsequently after the year end, with effect from 2nd October, 2013, Ms. Wong Man Lai has been appointed as the Company's CEO. Please refer to the "Directors and Senior Management" section for her biography.

The CEO 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.

The appointment of a new CEO would not only enhance the Company's corporate governance, but also its business development.

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 ("AGM") in accordance with the provisions of the Company's Articles of Association (the "Articles of Association"). With effect from 27th September, 2013, all the independent non-executive directors were appointed with specific term and Code Provision A.4.1 has therefore been complied thereafter.

BOARD OF DIRECTORS

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Presently, the Company Secretary is responsible to ensure that all directors are properly briefed, either by her or by members of the Company's senior management, on issues arising at Board meetings. The Board delegates its authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advices and services of the Company Secretary, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advices for them to discharge their duties and responsibilities, where appropriate, at the Company's expense.

BOARD COMPOSITION

As at 30th September, 2013 and up to the date of this Annual Report, the Board comprises four executive directors and three independent non-executive directors from different business and professional fields. The profile of each director is set out in the "Directors and Senior Management" section in this Annual Report. The directors, including the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Company has received an annual confirmation from each of the independent non-executive directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

The independent non-executive directors are appointed for specific terms and their terms of office shall expire at the third AGM after the last appointment and may be renewed subject to the shareholders' approval at such AGM. Under the Articles of Association, at each AGM one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall be subject to retirement by rotation. Retiring Directors are eligible for re-election at the AGM at which they retire.

At the forthcoming AGM, Mr. Tam Chie Sang and Dr. Wong Chi Keung will retire and, being eligible, offer themselves for re-election.

Dr. Wong Chi Keung, who is to retire by rotation at the AGM, has served on the Board for more than 9 years but he has never held any executive or management position in the Group nor has he throughout such period been under the employment of any member of the Group. The Directors noted the positive contributions of Dr. Wong to the development of the Company's strategy and policies through independent, constructive and informed contributions supported by his skill, expertise and qualifications and from his active participation at meetings. Dr. Wong has given the annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company and the nomination committee of the Company has assessed and is satisfied with the independence of Dr. Wong. Hence, the Board considers that the long services of Dr. Wong would not affect his exercise of independent judgment, and therefore considers Dr. Wong to be independent and recommends Dr. Wong to be re-elected.

The family relationships among the board members, if any, are disclosed under "Directors and Senior Management" section in this Annual Report.

The Company has arranged Directors' and Officers' Liability Insurance for the directors and officers of the Company.

BOARD AND BOARD COMMITTEE MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings are held at regular intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Board met thirteen times during the year ended 30th September, 2013.

PRACTICES AND CONDUCT OF MEETINGS

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The day-to-day management, administration and operations of the Company are delegated to the Acting CEO/CEO and the senior management.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors.

The composition of the Board and the attendance of individual members of the Board and other Board Committees meetings during the year ended 30th September, 2013 are set out in the table below:

	Meetings attended/held					
Directors	Board	Audit Committee	Remuneration Committee	Investment Advisory Committee	Nomination Committee	Annual General Meeting
Executive directors						
YU Kam Shui, Erastus	13/13	–	–	2/2	–	1/1
TAM Chie Sang	13/13	–	–	–	–	1/1
YU Lai Chu, Eileen	11/13	–	–	–	–	1/1
LAI Yin Ping	13/13	–	–	–	–	1/1
Independent non-executive directors						
WONG Lung Tak, Patrick, B.B.S., J.P.	13/13	2/2	1/1	2/2	1/1	1/1
WONG Chun Nam, Duffy, J.P.	12/13	1/2	1/1	2/2	1/1	1/1
WONG Chi Keung	13/13	2/2	1/1	2/2	1/1	1/1

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

The Company has put in place an on-going training and professional development programme for directors.

During the year ended 30th September, 2013, all directors of the Company namely, Mr. Yu Kam Shui, Erastus, Mr. Tam Chie Sang, Ms. Yu Lai Chu, Eileen, Ms. Lai Yin Ping, Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or salient changes to laws and regulations applicable to the Group were provided to the directors. They also attended regulatory update sessions and seminars on relevant topics. All directors have provided the Company with their respective training records pursuant to the CG Code.

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established five Board Committees, namely Audit Committee, Remuneration Committee, Investment Advisory Committee, Nomination Committee and Disclosure Committee. Independent non-executive directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

AUDIT COMMITTEE

The Audit Committee comprises all of the three independent non-executive directors, Prof. Wong Lung Tak, Patrick, B.B.S., J,P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung, and is chaired by Prof. Wong Lung Tak, Patrick, B.B.S., J.P., a qualified accountant with extensive experience in financial reporting and controls. It is responsible for appointment of external auditor, review of the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end, has unrestricted access to the Company's external auditor. Its terms of reference are available on the websites of the Stock Exchange and the Company.

To comply with the requirement under the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Audit Committee to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to the directors and employees; to review and monitor the training and continuous professional development of directors and senior management and to review the Company's compliance with the code provisions set out in the CG Code contained in the Listing Rules and disclosures in the corporate governance report.

During the year ended 30th September, 2013, two meetings were held by the Audit Committee. At the meetings, it reviewed the annual results for 2012 and the interim results for 2013 respectively with the external auditors and also the activities of the Group's internal control functions.

It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26th June, 2006 with its written terms of reference revised on 22nd March, 2012. The members of the Remuneration Committee comprises all independent non-executive directors of the Company, Prof. Wong Lung Tak, Patrick, B.B.S., J,P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung, and is chaired by Mr. Wong Chun Nam, Duffy, J.P..

The primary objectives of the Remuneration Committee include making recommendations on 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. It shall also make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee shall meet at least once every year for reviewing the remuneration policy and structure and recommending the annual remuneration packages of the executive directors and the senior executives and other related matters. Its terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 30th September, 2013, one Remuneration Committee meeting was held.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 30th September, 2013 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	2
1,000,001 – 1,500,000	1
1,500,001 – 2,000,000	1
2,500,001 – 3,000,000	2

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 16 to the financial statements as set out on pages 66 to 67 of this annual report.

The Company newly appointed the CEO on 2nd October, 2013, shortly after the year end. As such, her remuneration would be considered for disclosure in the coming financial year.

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 Mr. Yu Kam Shui, Erastus, an executive director and Acting CEO of the Company (resigned as the Acting CEO of the Company on 2nd October, 2013), 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 members meet and review the investment directions and the portfolio mix as well as evaluating the performance of the investment portfolio. Its terms of reference are available on the website of the Company.

During the year ended 30th September, 2013, two Investment Advisory Committee meetings were held.

NOMINATION COMMITTEE

To comply with the CG Code, a Nomination Committee was established on 22nd March, 2012 with its terms revised on 7th August, 2013. The members of the Nomination Committee comprises all independent non-executive directors of the Company, Prof. Wong Lung Tak, Patrick, B.B.S., J,P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung, and is chaired by Dr. Wong Chi Keung.

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and accessing the independence of independent non-executive Director. Although Dr. Wong Chi Keung has served the Company as independent non-executive director for more than nine years, he does not have any management role in the Company. The Nomination Committee considered that he has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service and he will continue to provide an independent view in relation to the Company's affairs. Its terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 30th September, 2013, one Nomination Committee meeting was held.

Board diversity policy has been formulated. The Nomination Committee would review the Board's composition where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

DISCLOSURE COMMITTEE

To enhance timely disclosure of inside information as defined under the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong ("SFO"), a Disclosure Committee with written terms of reference was established by the Board on 10th January, 2013.

Mr. Yu Kam Shui, Erastus, who is an executive director and acting CEO of the Company up to 1st October, 2013, has been appointed as the chairman of the Disclosure Committee. Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P., Dr. Wong Chi Keung, the independent non-executive directors of the Company, have also been appointed as members of the Disclosure Committee.

The Disclosure Committee is responsible for considering and making recommendations to the Board in relation to disclosure policy and guidelines regarding inside information (as defined under the SFO) (the "Inside Information") of the Company; and making recommendations to the Board on the disclosure of Inside Information in compliance with the established disclosure policy and guidelines adopted by the Board, the applicable laws and regulations, including but not limited to the Listing Rules and the SFO; and considering other topics, as defined by the Board.

During the year ended 30th September, 2013, no formal meeting was held though the Board did consult the Disclosure Committee about its opinions on a few issues via electronic means, as and when required.

AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the independent auditor of the Company by shareholders at the last annual general meeting.

The remuneration paid or payable to the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, and its affiliated firms, for services rendered is broken down below:

	2013 HK$'000
Statutory audit	**1,442**
Non-audit services	**517**
Total	**1,959**

The non-audit services mainly comprised tax compliance, interim review service and certain agree-upon-procedure work.

The responsibilities of the independent auditor with respect to the 2013 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 31 to 32.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board, with the assistance of Mark K. Lam & Co., assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 30th September, 2013. No major issue was raised for improvement.

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 to the Listing Rules. Starting from 13th February, 2012, the Company had designated directors for the purpose of receiving notification and providing acknowledgment in respect of dealing in securities of the Company under Rule B.8 of the Model Code in accordance with a stipulated memorandum detailing notification procedures to ensure compliance with the Model Code by the directors. 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 year.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Ms. Kwong Yee Man ("Ms. Kwong"), a full time employee of the Company. Ms. Kwong has confirmed that she has no less than 15 hours of relevant professional training for the year ended 30th September, 2013, in compliance with Rule 3.29 of the Listing Rules. Ms. Kwong resigned as Company Secretary of the Company on 12th November, 2013 and Ms. Tang Lo Nar was appointed to the position on the same day.

SHAREHOLDERS' RIGHT

HOW SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such a requisition must be signed by the Shareholder(s).

THE PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY DIRECTED

Shareholders and other stakeholders may send their enquires and concerns to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquires or concerns to the chief executive officer or chairman of the Board committees or senior management as appropriate within their area of responsibilities for handling.

THE PROCEDURES AND SUFFICIENT CONTACT DETAILS FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the Articles of Association, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "HOW SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING" above.

INVESTOR RELATION

There was no amendment made to the constitutional documents of the Company during the year.

Directors' Report

The directors present the Directors' Report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30th September, 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries engage in the distribution of h_2o+ brand skincare products in Hong Kong, Macau and Singapore and the distribution of Erno Laszlo brand skincare products in Hong Kong. During the year 2012, the distributorship of h_2o+ brand skincare products in the PRC and Taiwan were terminated (as set out in note 8 to the consolidated financial statements). In addition, some of its principal subsidiaries own and engage in the distribution of Glycel brand skincare products in Hong Kong, PRC and Taiwan. Certain of its principal subsidiaries also engage in the operation of spa and beauty centres in Hong Kong under the brand names "Oasis Spa", "Oasis Beauty", "Aqua Beauty", "Oasis Homme", "Oasis Medical Centre" and "Glycel Skin Spa" and beauty centres in PRC under the name of "Oasis Beauty", which provide a full spectrum of professional beauty services. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

Details of the Company's principal subsidiaries at 30th September, 2013 are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2013 are set out in the consolidated statement of profit or loss on page 33.

The directors have recommended a final dividend of 1.5 HK cents per share for the year ended 30th September, 2013 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 4th March, 2014. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on 13th March, 2014.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2013 are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity to the consolidated financial statements on page 37.

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2013 was measured using the fair value model. Details of which are set out in note 19 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group are set out in note 20 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 87.

DIRECTORS AND DIRECTORS' SERVICES AGREEMENTS

The directors of the Company who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with Articles 87(1) and (2) of the Company's articles of association and the code provisions of the CG Code, Mr. Tam Chie Sang and Dr. Wong Chi Keung will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company considers that Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung are independent pursuant to the criteria set out in the Listing Rules and that confirmations of independence have been received from each of them.

All directors of the Company are subject to retirement by rotation as required by the Company's articles of association.

Each of the executive directors has entered into a service agreement with the Company. Each agreement is for a period of three years commencing on 1st October, 2001 and shall continue thereafter until terminated by either party giving to the other party not less than three calendar months' prior notice in writing.

Except for the above, none of the directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company or any of the subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 30th September, 2013, 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 of the Laws of Hong Kong)) (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 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 directors	Name of Company in which interests are held	Capacity in which interest are held	Personal interests	Number and class of shares Family interests	Corporate interests	Total	Approximate percentage of issued share capital
Yu Kam Shui, Erastus	The Company	Beneficial owner	8,000,000 ordinary	–	–	8,000,000 ordinary	1.0%
Tam Chie Sang	The Company	Interest of a controlled corporation and interest of spouse	–	5,960,000 ordinary(1)	155,333,760 ordinary(2)	161,293,760 ordinary	21.1%
	Water Oasis Company Limited	Beneficial owner and interest of spouse	165,000 non-voting deferred	165,000 non-voting deferred(1)	–	330,000 non-voting deferred	–
Yu Lai Chu, Eileen	The Company	Beneficial owner and interest of a controlled corporation	5,960,000 ordinary	–	155,333,760 ordinary(2)	161,293,760 ordinary	21.1%
	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	–
Lai Yin Ping	The Company	Interest of spouse	–	8,000,000 ordinary(4)	–	8,000,000 ordinary	1.0%
Wong Chun Nam, Duffy, J.P.	The Company	Beneficial owner	600,000 ordinary	–	–	600,000 ordinary	0.1%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

LONG POSITION IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Notes:

(1) These shares are registered in the name of Ms. Yu Lai Chu, Eileen, the wife of Mr. Tam Chie Sang.

(2) 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 Mr. Tam Chie Sang and 49% owned by his spouse Ms. Yu Lai Chu, Eileen, both are directors of the Company.

(3) These shares are registered in the name of Mr. Tam Chie Sang, the husband of Ms. Yu Lai Chu, Eileen.

(4) These shares are registered in the name of Mr. Yu Kam Shui, Erastus, the husband of Ms. Lai Yin Ping.

As at 30th September, 2013, 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

Particulars of the Company's share option scheme are set out in note 31 to the consolidated financial statements. On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced the old share option scheme that was expired on 22nd January, 2012. No share options under the Share Option Scheme were granted since its adoption.

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

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2013, the following persons, other than a director or the 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 Shareholders	Capacity	Number of ordinary shares	Approximate percentage of voting power
Yu Lai Si	Beneficial owner	166,113,760	21.7%
Zinna Group Limited[1]	Interest of a controlled corporation	155,333,760	20.3%
Advance Favour Holdings Limited[2]	Interest of a controlled corporation	77,666,880	10.2%
Billion Well Holdings Limited[3]	Interest of a controlled corporation	77,666,880	10.2%

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 Mr. Tam Chie Sang and 49% owned by his spouse, Ms. Yu Lai Chu, Eileen, both are directors of the Company.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

The continuing connected transactions, if any, were in accordance with the Company's compliance and disclosure policies and were qualified for de minimis exemptions of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2013, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 67.9% of the Group's total purchase. Whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.0% of the Group's total turnover.

At all time during the year, none of Directors, their associates or any Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers or suppliers.

DISTRIBUTABLE RESERVES

As at 30th September, 2013, the distributable reserves of the Company amounted to approximately HK$36.2 million (2012: HK$36.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2013 amounted to approximately HK$184.7 million (2012: HK$255.2 million). The Group generally finances its operation with internally generated resources.

The gearing ratio, expressed as a percentage of the secured mortgage loan (as at 30th September, 2012, together with the convertible bond) over total equity of approximately HK$276.5 million (2012: HK$292.4 million), is approximately 11.4% (2012: 27.6%).

The Group continues to follow the practice of prudent cash management. The Group has acceptable level of exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territories. 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.

EMPLOYEES AND REMUNERATION

As at 30th September, 2013, the Group employed 853 staff (as at 30th September, 2012: 930 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year. The Company redeemed all of its Convertible Bond in the aggregate principal amount of HK$39.0 million on 3rd May, 2013 upon maturity.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the Companies Law of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the financial year, the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, J.P. and Dr. Wong Chi Keung who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 30th September, 2013 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Annual Report.

AUDITOR

The accompanying consolidated financial statements have been audited by Deloitte Touche Tohmatsu who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On Behalf of the Board

YU Kam Shui, Erastus

Executive Director

Hong Kong, 18th December, 2013

Independent Auditor's Report

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF WATER OASIS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Water Oasis Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 86, which comprise the consolidated statement of financial position as at 30th September, 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30th September, 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 18th December, 2013

Consolidated Statement of Profit or Loss

	Notes	2013 HK$'000	2012 HK$'000
		FOR THE YEAR ENDED 30TH SEPTEMBER,	
Turnover	8	**628,971**	824,432
Purchases and changes in inventories of finished goods		**(71,493)**	(158,720)
Other income		**7,953**	8,432
Other gains or losses	9	**29,299**	41,050
Staff costs	15	**(282,255)**	(294,418)
Depreciation of property and equipment		**(23,295)**	(31,309)
Finance costs	10	**(4,264)**	(6,442)
Other expenses		**(246,431)**	(319,002)
Profit before taxation		**38,485**	64,023
Taxation	11	**(7,605)**	(1,209)
Profit for the year	12	**30,880**	62,814
Profit for the year attributable to:			
Owners of the Company		**34,259**	67,981
Non-controlling interests		**(3,379)**	(5,167)
		30,880	62,814
Earnings per share			
Basic and diluted	13	**4.5 HK cents**	8.9 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2013	2012
	HK$'000	HK$'000
Profit for the year	**30,880**	62,814
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,552**	(20)
Reclassification adjustment of exchange difference upon disposal of subsidiaries	**–**	(42)
Total comprehensive income for the year	**33,432**	62,752
Total comprehensive income for the year attributable to:		
Owners of the Company	**36,719**	67,872
Non-controlling interests	**(3,287)**	(5,120)
	33,432	62,752

Consolidated Statement of Financial Position

	Notes	AS AT 30TH SEPTEMBER, 2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	17	**59,484**	59,786
Goodwill	18	**3,012**	3,012
Investment properties	19	**222,734**	205,180
Property and equipment	20	**43,942**	43,500
Rental deposits	21	**34,862**	31,600
Deferred tax assets	33	**11,302**	12,493
		375,336	355,571
Current assets			
Inventories	22	**48,957**	32,696
Trade receivables	23	**24,318**	35,635
Prepayments		**40,171**	48,554
Other deposits and receivables		**10,205**	19,093
Tax recoverable		**–**	1,777
Bank balances and cash	24	**184,708**	255,170
		308,359	392,925
Asset classified as held for sale	25	**–**	25,000
		308,359	417,925
Current liabilities			
Trade payables	26	**6,801**	4,942
Accruals and other payables		**72,860**	94,572
Receipts in advance	27	**272,494**	262,965
Convertible bond	28	**–**	46,407
Secured mortgage loan – due within one year	29	**3,102**	34,385
Tax payable		**10,873**	19,057
		366,130	462,328
Liabilities associated with asset classified as held for sale	25	**–**	490
		366,130	462,818
Net current liabilities		**(57,771)**	(44,893)
Total assets less current liabilities		**317,565**	310,678

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	30	**76,395**	76,395
Reserves		**191,761**	204,436
Equity attributable to owners of the Company		**268,156**	280,831
Non-controlling interests		**8,304**	11,591
Total equity		**276,460**	292,422
Non-current liabilities			
Pension obligations	32	**116**	172
Secured mortgage loan – due after one year	29	**28,481**	–
Deferred tax liabilities	33	**12,508**	18,084
		41,105	18,256
		317,565	310,678

The consolidated financial statements on pages 33 to 86 were approved and authorised for issue by the Board of Directors on 18th December, 2013 and are signed on its behalf by:

TAM Chie Sang
Executive Director

YU Kam Shui, Erastus
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve [b] HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve [c] HK$'000	Share options reserve HK$'000	Convertible bond equity reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st October, 2011	76,395	38,879	22,108	(1,766)	450	1,797	31,533	1,347	133,938	304,681	16,336	321,017
Profit for the year	–	–	–	–	–	–	–	–	67,981	67,981	(5,167)	62,814
Exchange differences arising on translation of foreign operations	–	–	(67)	–	–	–	–	–	–	(67)	47	(20)
Realised on disposal of subsidiaries	–	–	(42)	–	–	–	–	–	–	(42)	–	(42)
Total comprehensive income for the year	–	–	(109)	–	–	–	–	–	67,981	67,872	(5,120)	62,752
2011 final dividend paid	–	–	–	–	–	–	–	–	(61,116)	(61,116)	–	(61,116)
2012 interim dividend paid	–	–	–	–	–	–	–	–	(34,378)	(34,378)	–	(34,378)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	3,772	–	–	3,772	–	3,772
Deemed contribution from non-controlling shareholders of a subsidiary [a]	–	–	–	–	–	–	–	–	–	–	640	640
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(265)	(265)
	–	–	–	–	–	–	3,772	–	(95,494)	(91,722)	375	(91,347)
At 30th September, 2012	76,395	38,879	21,999	(1,766)	450	1,797	35,305	1,347	106,425	280,831	11,591	292,422
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,259**	**34,259**	**(3,379)**	**30,880**
Exchange differences arising on translation of foreign operations	**-**	**-**	**2,460**	**-**	**-**	**-**	**-**	**-**	**-**	**2,460**	**92**	**2,552**
Total comprehensive income for the year	**-**	**-**	**2,460**	**-**	**-**	**-**	**-**	**-**	**34,259**	**36,719**	**(3,287)**	**33,432**
2012 final dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(30,558)**	**(30,558)**	**-**	**(30,558)**
2013 interim dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,099)**	**(19,099)**	**-**	**(19,099)**
Transfer to retained profits upon expiry of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(35,305)**	**-**	**35,305**	**-**	**-**	**-**
Transfer to retained profits upon redemption of convertible bond	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,610)**	**1,610**	**-**	**-**	**-**
Release of deferred tax assets upon redemption of convertible bond	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**263**	**-**	**263**	**-**	**263**
	-	**-**	**-**	**-**	**-**	**-**	**(35,305)**	**(1,347)**	**(12,742)**	**(49,394)**	**-**	**(49,394)**
At 30th September, 2013	**76,395**	**38,879**	**24,459**	**(1,766)**	**450**	**1,797**	**-**	**-**	**127,942**	**268,156**	**8,304**	**276,460**

(a) The Group and the non-controlling shareholders waived the amounts due from certain subsidiaries on a proportionate basis in accordance with their shareholding interest in the relevant subsidiaries during the year ended 30th September, 2012. The waiver of amounts due to the non-controlling shareholders was credited to equity as deemed contribution from the non-controlling shareholders accordingly.

(b) The capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 23rd January, 2002 and the nominal value of the Company's shares issued in exchange thereof.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in the PRC are required to maintain a statutory fund reserve which is non-distributable. Transfer to this reserve fund are made out of profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

Consolidated Statement of Cash Flows

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2013	2012
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**38,485**	64,023
Adjustments for:		
Allowance for doubtful debts	**292**	43
Amortisation of intangible assets	**340**	232
Depreciation of property and equipment	**23,295**	31,309
Gain on fair value change of investment properties	**(32,514)**	(40,620)
Interest expenses on secured mortgage loan	**706**	767
Effective interest expenses on convertible bond	**3,558**	5,675
Interest income on bank deposits	**(2,833)**	(2,536)
Loss on disposal/write-off of property and equipment	**1,359**	102
Loss on disposal of subsidiaries	**–**	789
Loss on fair value change of an investment property	**960**	–
Loss on write-off of intangible assets	**–**	426
Equity-settled share-based payment expenses	**–**	3,772
Write-down of inventories	**–**	15,311
Operating cash flows before movements in working capital	**33,648**	79,293
(Increase) decrease in inventories	**(16,172)**	22,004
Decrease in trade receivables	**11,142**	28,946
Decrease (increase) in rental deposits, prepayments, other deposits and receivables	**14,452**	(1,696)
Increase (decrease) in trade payables	**1,859**	(13,960)
Decrease in accruals and other payables	**(22,309)**	(50,075)
Increase in receipts in advance	**9,199**	11,165
Decrease in liabilities associated with asset classified as held-for-sale	**(168)**	–
Decrease in pension obligations	**(54)**	(62)
Cash generated from operations	**31,597**	75,615
Hong Kong Profits Tax paid	**(17,251)**	(10,728)
Other jurisdictions tax paid	**(1,064)**	(3,905)
Net cash from operating activities	**13,282**	60,982

Consolidated Statement of Cash Flows
(Continued)

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2013 HK$'000	2012 HK$'000
Investing activities			
Purchase of property and equipment		**(25,125)**	(30,830)
Increase in intangible assets		**(38)**	(1,194)
Proceeds on disposal of asset classified as held for sale	25	**25,000**	–
Proceeds on disposal of an investment property		**14,000**	–
Interest received on bank deposits		**2,833**	2,536
Proceeds on disposal of property and equipment		**161**	2
Disposal of subsidiaries	34	**–**	(299)
Net cash from (used in) investing activities		**16,831**	(29,785)
Financing activities			
Dividends paid		**(49,657)**	(95,494)
Redemption of convertible bond		**(48,020)**	–
Repayment of secured mortgage loan		**(2,802)**	(2,740)
Interest paid on convertible bond		**(1,945)**	(1,956)
Interest paid on secured mortgage loan		**(706)**	(772)
Cash used in financing activities		**(103,130)**	(100,962)
Net decrease in cash and cash equivalents		**(73,017)**	(69,765)
Cash and cash equivalents at beginning of the year		**255,170**	324,982
Effect of foreign exchange rate changes		**2,555**	(47)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**184,708**	255,170

Notes to the Consolidated Financial Statements

1. GENERAL

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 Annual 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 principally engage in the distribution of skincare products in Hong Kong, Macau, Taiwan, Singapore and the People's Republic of China (the "PRC") and the operation of beauty salons, spa and medical beauty centres in Hong Kong and the PRC.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis as at 30th September, 2013, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following amendments issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1st January, 2013.

2 Effective for annual periods beginning on or after 1st January, 2014.

3 Effective for annual periods beginning on or after 1st January, 2015.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to HKAS 19 are effective for annual periods beginning on or after 1st January, 2013 and require retrospective application with certain exceptions. The directors anticipate that the adoption of amendments to HKAS 19 will have no material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

For investment properties measured using the fair value model being classified as held for sale, they are scoped out from the measurement provisions of HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and accordingly continued to be accounted for in accordance with the fair value model in HKAS 40 "Investment Property".

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair values of investment property are included in the profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property and Equipment

Property and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible Assets

Intangible assets acquired separately

Expenditure on acquiring licenses for sale of products is carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for such licenses is provided on a straight-line method over the license period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

Intangible assets acquired in a business combination

Trademarks acquired in a business combination are recognised separately from goodwill as they satisfy the definition of an intangible asset and their fair values can be measured reliably. Such intangible assets are initially recognised at their fair values at the acquisition date.

The Group's trademarks are of indefinite useful lives. Accordingly, subsequent to initial recognition, trademarks are carried at cost less any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment Losses on Tangible and Intangible Assets other than Goodwill

(For impairment loss on goodwill, please see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bond

Convertible bond issued by the Group that contains both the liability and conversion option components is classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bond equity reserve).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Convertible bond (Continued)

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised, in which case the balance stated in convertible bond equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the equity components are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables and secured mortgage loan are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents invoiced value on purchases and is calculated on a weighted-average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Pension obligations

The Group's subsidiaries in Hong Kong and the PRC participate in relevant defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made to these schemes based on a certain percentage of the applicable payroll costs. The contributions are expensed when employees have rendered services entitling them to the contributions.

The Group's subsidiary in Taiwan participates in a defined benefit pension plan for employees who joined before 1st July, 2005 in accordance with the local statutory regulations. Pension costs are determined using the projected unit credit cost method, with actuarial valuation being carried out at the end of the reporting period. The pension obligations are measured as the present value of the estimated future cash outflows using discount rate based on the rate of return on high-quality fixed-income investments in Taiwan which have terms to maturity approximating the terms of the related liability as adjusted for unrecognised actuarial gains or losses and unrecognised past service cost and as reduced by the fair value of plan assets. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's pension obligations and fair value of plan assets are amortised over the expected average remaining service lives of employees. Past service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested. The contributions are charged to profit or loss in the period to which the contributions relate.

Share-based compensation

Share options issued in exchange for goods or services are measured at their fair values of the goods or services received, unless that fair value cannot be reliably measured, in which cases the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Sales of goods that resulted in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits expired or are redeemed and the Group's obligations have been fulfilled.

Receipts from the sale of gift and drink coupons are recorded as liabilities. Such receipts are recognised as revenue when the coupons are redeemed for products or upon the coupon expiry date.

Revenue from rendering of services is recognised when the services are rendered. Fees received in advance for prepaid packages are recorded as liabilities and are recognised on a systematic basis in accordance with service usage. Upon expiry of prepaid packages, the corresponding receipts in advance are fully recognised as revenue.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of Assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Depreciation

The Group's carrying value of leasehold improvements as at 30th September, 2013 was approximately HK$27,868,000 (2012: HK$26,892,000). The Group's management determines the estimated useful lives based on the historical experiences of the actual useful lives of property and equipment of similar nature, functions and the likelihood of renewal of the relevant leases and to depreciate these assets accordingly. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charge where the current estimated useful lives are less than previously estimated useful lives.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair Value of Investment Properties

Investment property is carried in the consolidated statement of financial position at 30th September, 2013 at its fair value, details of which are disclosed in note 19. The fair value of the investment property was determined by reference to valuations conducted on this property by independent firms of property valuers using property valuation techniques which involve certain assumptions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment property and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of the property included in the consolidated statement of financial position.

Recoverability of Deferred Tax Assets

At the end of the reporting period, the Group had unused tax losses of approximately HK$157,823,000 (2012: HK$117,728,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$37,714,000 (2012: HK$41,389,000) of such losses. Determining whether deferred tax assets with carrying amounts of approximately HK$8,804,000 as at 30th September, 2013 (2012: HK$9,626,000) can be recovered requires an estimation of the availability of sufficient taxable profits which allows the deferred tax assets to be recovered. The recoverability of deferred tax assets requires the Group to estimate the probability of taxable profits expected to arise from future operations. At the end of each reporting period, management evaluates the recoverability of deferred tax assets by way of profit forecast when necessary.

Useful Lives of Intangible Assets

As at 30th September, 2013, the carrying amounts of the Group's intangible assets with definite and indefinite useful lives are approximately HK$588,000 (2012: HK$890,000) and HK$58,896,000 (2012: HK$58,896,000), respectively. The estimated useful lives of the assets reflect the directors' estimate of the periods over which the intangible assets are expected to generate net cash flows for the Group based on certain assumptions of prevailing market conditions. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses and impairment losses in future years. Details of the intangible assets are set out in note 17.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes convertible bond and secured mortgage loan as disclosed in notes 28 and 29 respectively, and equity attributable to owners of the Company, comprising share capital, share premium, exchange reserve, capital reserve, capital redemption reserve, statutory fund reserve, share options reserve, convertible bond equity reserve and retained profits as disclosed in the consolidated financial statements.

6. CAPITAL RISK MANAGEMENT (Continued)

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues, as well as issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**212,458**	296,092
Financial liabilities		
Amortised cost (including liability component of the convertible bond as at 30th September, 2012)	**48,291**	108,766

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables, secured mortgage loan and convertible bond. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risks (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit Risk

As at 30th September, 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of customer credit risk, with exposure spread over a number of customers as a large portion of the Group's turnover are cash or credit card sales. In addition, the Group also manages its credit risk by performing regular reviews of the aging profile of trade receivables.

The Group's concentration of customer credit risk by geographical locations is mainly in Hong Kong and the PRC which accounted for 95% (2012: 92%) of the total trade receivables as at 30th September, 2013.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(ii) *Market Risks*

Currency Risk

The functional currency of the Group's principal subsidiaries is either HK$ or Renminbi ("RMB"). While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. At the end of the reporting period, certain bank balances, trade receivables, other receivables, trade payables and other payables of the Group are denominated in foreign currencies. The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign exchange exposure.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets and monetary liabilities denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2013 HK$'000	2012 HK$'000
Assets		
United States Dollars ("US$")	**47,742**	2,390
Japanese Yen ("Yen")	**44**	10,421
Liabilities		
US$	**6,304**	4,709

Sensitivity analysis

The Group is mainly exposed to the fluctuation of Yen.

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to HK$ and RMB against Yen. 5% is the sensitivity rate used when reporting foreign currencies risk internally to key management personnel and represents management's assessment of the reasonably change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A 5% strengthening of HK$ and RMB against Yen will have the following decrease (2012: decrease) profit for the year and vice versa.

	2013 HK$'000	2012 HK$'000
HK$ and RMB against Yen	**2**	435

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(ii) *Market Risks* (Continued)

Interest Rate Risk

The Group was exposed to fair value interest rate risk in relation to fixed-rate convertible bond issued by the Group as at 30th September, 2012.

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and secured mortgage loan. Bank balances and secured mortgage loan at variable rates expose the Group to cash flow interest rate risk. Details of the Group's bank balances and secured mortgage loan are disclosed in notes 24 and 29 respectively.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the bank's Hong Kong Dollar Best Lending Rate as set out in the note 29.

Sensitivity analysis

The following is an analysis of the Group's financial assets and liabilities that carried variable interest rates at the end of reporting period:

	2013 HK$'000	2012 HK$'000
Financial assets	**128,102**	187,920
Financial liabilities	**31,583**	34,385

As the Group's financial assets that carried variable interest rates are mainly bank deposits and interest rate fluctuation on bank deposit is minimal, the cash flow interest rate risk from financial assets is considered to be insignificant. Accordingly, interest rate fluctuation on these assets is excluded from the sensitivity analysis.

On the basis of the above analysis and assuming the amount of financial liabilities outstanding at the end of the reporting period were outstanding for the whole year, the Group's post-tax profit for the year ended 30th September, 2013 would decrease by HK$132,000 (2012: HK$144,000) if interest rates had been 50 basis points higher and all other variables were held constant and vice versa. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(iii) *Liquidity Risk*

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured mortgage loan and ensures compliance with relevant covenants.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity Risk (Continued)

The directors of the Company are taking active steps to improve the future liquidity position of the Company by generating sufficient operating funds internally.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. As at 30th September, 2012, secured mortgage loan with a repayment on demand clause were included in the earliest time band regardless of the probability of the bank choosing to exercise it's right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. As at 30th September, 2013, the maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 year to less than 5 years HK$'000	5 years or more HK$'000	Total undiscounted cash flows HK$'000	Carrying amount as at 30th September, 2013 HK$'000
2013								
Trade payables	–	6,801	–	–	–	–	6,801	6,801
Other payables	–	9,907	–	–	–	–	9,907	9,907
Secured mortgage loan	2.15	293	585	2,635	14,052	17,562	35,127	31,583
		17,001	585	2,635	14,052	17,562	51,835	48,291

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to less than 3 months HK$'000	3 months to less than 1 year HK$'000	1 year to less than 5 years HK$'000	5 years or more HK$'000	Total undiscounted cash flows HK$'000	Carrying amount as at 30th September, 2012 HK$'000
2012								
Trade payables	–	1,534	3,408	–	–	–	4,942	4,942
Other payables	–	23,032	–	–	–	–	23,032	23,032
Secured mortgage loan	2.15	34,385	–	–	–	–	34,385	34,385
Convertible bond	13.68	–	988	48,977	–	–	49,965	46,407
		58,951	4,396	48,977	–	–	112,324	108,766

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity Risk (Continued)

For the purpose of managing liquidity risk, the management also considers the expected cash flow of the Group's secured mortgage loan based on the scheduled repayment dates set out in the mortgage loan agreement as set out in the table below:

	Weighted average interest rate	On demand and less than 1 month	1 month to less than 3 months	3 months to less than 1 year	1 year to less than 5 years	5 years or more	Total undiscounted cash flows	Carrying amounts as at 30th September
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012	2.15	293	585	2,635	14,052	21,079	38,644	34,385

(c) Fair Value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

8. TURNOVER AND SEGMENT INFORMATION

Information reported to the Group's Executive Directors, being the chief operating decision maker, in respect of the Group's business is focused on operation mode. The Group's operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

(i) Retail segment – the retail sales of skincare products

(ii) Services segment – provision of services in beauty centres, spas, medical beauty centres and other businesses

Turnover recognised during the year are as follows:

	2013 HK$'000	2012 HK$'000
Turnover		
Retail segment	**199,862**	399,475
Services segment	**429,109**	424,957
	628,971	824,432

The Group's Executive Directors make decisions according to the operating results of each segment and reports on the aging analysis of inventories and trade receivables. No analysis of segment asset and segment liability is presented as the Group's Executive Directors do not review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The Company's distributorship rights of h_2o+ for the PRC and Taiwan were terminated during the year ended 30th September, 2012. However, the Group continues its business strategy of operating its retail sales of skincare products in these two geographic markets by building up its own brands and through business franchises.

8. TURNOVER AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's turnover and results by operating segments for the year:

	Retail segment		Services segment		Elimination		Consolidation	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Sales to external customers	**199,862**	399,475	**429,109**	424,957	**–**	–	**628,971**	824,432
Inter-segment sales	**37,114**	24,348	**–**	–	**(37,114)**	(24,348)	**–**	–
Total	**236,976**	423,823	**429,109**	424,957	**(37,114)**	(24,348)	**628,971**	824,432
Segment results	**(18,154)**	(17,960)	**83,405**	113,605	**–**	–	**65,251**	95,645
Other income							**7,953**	8,432
Other gains or losses							**29,299**	41,050
Finance costs							**(4,264)**	(6,442)
Central administrative costs							**(59,754)**	(74,662)
Profit before taxation							**38,485**	64,023

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of other income, other gains or losses of the corporation function, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Company's Executive Directors for the purposes of the resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates at terms determined.

The following is an analysis of the Group's other segment information for the year:

	Retail segment		Services segment		Consolidation	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	**8,545**	18,802	**14,750**	12,507	**23,295**	31,309
Amortisation of intangible assets	**340**	232	**–**	–	**340**	232
Write-down of inventories	**–**	15,311	**–**	–	**–**	15,311

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong, Macau, the PRC, Taiwan and Singapore. PRC includes Mainland China but excludes Hong Kong and Macau.

The Group's turnover and information about its non-current assets by geographical location (excluding trademarks, goodwill and deferred tax assets) are detailed below:

	Turnover		Non-current assets	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong and Macau	**597,026**	591,127	**292,659**	268,262
The PRC	**21,858**	196,169	**9,076**	10,909
Taiwan	**5,971**	31,045	**390**	1,995
Singapore	**4,116**	6,091	**1**	4
	628,971	824,432	**302,126**	281,170

Information about major customers

No sales made to customers contributed to over 10% of the total sales of the Group for both years.

9. OTHER GAINS OR LOSSES

	2013 HK$'000	2012 HK$'000
Gain on fair value change of investment properties	**32,514**	40,620
Loss on fair value change of an investment property	**(960)**	–
Loss on disposal of subsidiaries *(Note 34)*	**–**	(789)
Loss on disposal/write-off of property and equipment	**(1,359)**	(102)
Net exchange (loss) gain	**(896)**	1,747
Loss on write-off of intangible assets	**–**	(426)
	29,299	41,050

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on secured mortgage loan	706	767
Effective interest expenses on convertible bond (note 28)	3,558	5,675
	4,264	6,442

11. TAXATION

	2013 HK$'000	2012 HK$'000
Current tax		
Hong Kong Profits Tax	9,969	11,999
Other jurisdictions *(Note)*	92	(1,840)
Over provision in prior years	(2,967)	(353)
	7,094	9,806
Deferred taxation (note 33)	511	(8,597)
	7,605	1,209

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

11. TAXATION (Continued)

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2012: 25%) on the assessable profits.

Withholding tax has been imposed on dividends payable to foreign shareholders out of profits generated by companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from the Company's PRC subsidiaries accordingly as set out in note 33.

Taxation on profits generated outside Hong Kong 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.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2013 HK$'000	2012 HK$'000
Profit before taxation	**38,485**	64,023
Tax at Hong Kong Profits Tax rate of 16.5%	**6,350**	10,564
Effect of different tax rates applied in other jurisdictions	**(2,800)**	(3,741)
Tax effect of income not taxable for tax purpose	**(5,703)**	(7,284)
Tax effect of expenses not deductible for tax purpose	**1,616**	2,087
Utilisation of tax losses previously not recognised	**(236)**	(1,140)
Tax effect of tax losses not recognised	**10,982**	2,885
Over provision in prior years	**(2,967)**	(353)
Tax effect of withholding tax arising from undistributable profits of subsidiaries	**(1,192)**	(3,058)
Income tax at preferential tax rates	**–**	141
Others	**1,555**	1,108
Taxation for the year	**7,605**	1,209

Note: The amount for the year ended 30th September, 2012 included in other jurisdictions under current tax was an income tax credit recognised in respect of overpayment of PRC Enterprise Income Tax by a PRC subsidiary of the Company based on the assessment of the local PRC tax authority.

12. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,442**	1,681
Amortisation of intangible assets	**340**	232
Allowance for doubtful debts	**292**	43
Write-down of inventories *(Note)*	**–**	15,311
Loss on write-off of intangible assets	**–**	426
Equity-settled share-based payment expenses	**–**	3,772
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**116,651**	105,352
– contingent rent	**3,718**	5,728
and after crediting:		
Interest income on bank deposits	**2,833**	2,536
Rental income from investment properties	**4,456**	5,160

Note: The figure for the year ended 30th September, 2012 comprised the write-down of inventories in relation to the termination of distributorship rights of h_2o+ in the PRC and Taiwan as set out in note 8.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**34,259**	67,981

	Number of shares	
	2013	2012
Number of ordinary shares for the purposes of basic and diluted earnings per share	**763,952,764**	763,952,764

The computation of diluted earnings per share had not assumed:

(i) the exercise of the Company's outstanding share options for both years since the exercise price of those options was higher than the average price during that year and hence the share options were not dilutive (such share options expired during the year ended 30th September, 2013);

(ii) the conversion of the Company's outstanding convertible bond for both years since its exercise would result in an increase in earnings per share and hence was anti-dilutive (such convertible bond was redeemed during the year ended 30th September, 2013).

14. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim dividend declared and paid of 2.5 HK cents (2012: 4.5 HK cents) per share	**19,099**	34,378
Final dividend proposed after the end of the reporting period of 1.5 HK cents (2012: 4.0 HK cents) per share	**11,459**	30,558
	30,558	64,936

The 2013 final dividend of 1.5 HK cents (2012: 4.0 HK cents) per share, amounting to approximately HK$11,459,000 (2012: HK$30,558,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2013 were approximately HK$49,657,000 (2012: HK$95,494,000).

15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Wages, salaries, bonuses and allowances	**266,597**	275,635
Pension costs – defined benefit plan (note 32)	**(54)**	(62)
Pension costs – defined contribution plans	**15,378**	17,968
Unutilised annual leave	**334**	877
	282,255	294,418

During the year, the Group recognised an additional staff cost of approximately HK$21.9 million, being one-off remuneration and entitlement of certain of its employees in respect of prior years up to 31st December, 2012.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' Emoluments

Name of directors	Fees	Basic salaries	Bonuses	Retirement benefit costs	2013 Total emoluments	2012 Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yu Kam Shui, Erastus[(4)(6)]	–	897	1,360	15	**2,272**	1,756
Yu Lai Si[(7)]	–	–	–	–	**–**	10,142
Tam Chie Sang	–	897	850	15	**1,762**	1,756
Yu Lai Chu, Eileen	–	897	850	15	**1,762**	1,756
Lai Yin Ping	–	897	850	15	**1,762**	1,756
Wong Lung Tak, Patrick, B.B.S., J.P.[(1)(2)(3)(4)(5)(6)]	200	–	–	–	**200**	188
Wong Chun Nam, Duffy, J.P.[(1)(2)(3)(4)(5)(6)]	200	–	–	–	**200**	188
Wong Chi Keung[(1)(2)(3)(4)(5)(6)]	200	–	–	–	**200**	188
Total for the year 2013	600	3,588	3,910	60	**8,158**	
Total for the year 2012	564	10,333	6,770	63		17,730

(1) Independent non-executive directors
(2) Members of the Company's Audit Committee
(3) Members of the Company's Remuneration Committee
(4) Members of the Company's Investment Advisory Committee
(5) Members of the Company's Nomination Committee
(6) Members of the Company's Disclosure Committee
(7) Resigned on 6th July, 2012

Details of the Company's share option scheme are disclosed in note 31.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five Highest Paid Individuals

Of the five individuals with the highest emoluments in the Group, none (2012: one) was a director of the Company whose emolument is included in the analysis presented above. Emoluments payable to the remaining five (2012: four) individuals during the year were as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries and other allowances	**14,362**	9,481
Bonuses	**808**	1,956
Retirement benefit costs	**75**	52
	15,245	11,489

Their emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$2,000,001 – HK$2,500,000	**–**	2
HK$2,500,001 – HK$3,000,000	**2**	–
HK$3,000,001 – HK$3,500,000	**2**	1
HK$3,500,001 – HK$4,000,000	**1**	1
	5	4

For both years, no directors waived any emoluments and no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group and compensation for loss of office.

17. INTANGIBLE ASSETS

	License fees HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1st October, 2011	7,060	58,896	65,956
Additions	1,194	–	1,194
Write-off	(7,251)	–	(7,251)
At 30th September, 2012	1,003	58,896	59,899
Additions	**38**	**–**	**38**
Write-off	**(169)**	**–**	**(169)**
At 30th September, 2013	**872**	**58,896**	**59,768**
ACCUMULATED AMORTISATION			
At 1st October, 2011	6,706	–	6,706
Charged for the year	232	–	232
Eliminated on write-off	(6,825)	–	(6,825)
At 30th September, 2012	113	–	113
Charged for the year	**340**	**–**	**340**
Eliminated on write-off	**(169)**	**–**	**(169)**
At 30th September, 2013	**284**	**–**	**284**
CARRYING VALUE			
At 30th September, 2013	**588**	**58,896**	**59,484**
At 30th September, 2012	890	58,896	59,786

Expenditure on acquiring licenses for sale of products is capitalised. The Group's license fees have definite useful lives and are amortised over respective license period.

The Group's trademarks have finite legal lives but are renewable upon expiry at minimal costs. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amount of the trademarks, which are related to a specific product and service line, has been assessed together with the goodwill acquired on the same business combination, as set out in note 18. In the opinion of management, the trademarks have no impairment for both years.

18. GOODWILL

	HK$'000
COST	
At 1st October, 2011	3,978
Disposal of subsidiaries	(966)
At 30th September, 2012 and 30th September, 2013	3,012

The goodwill is attributable to the following cash generating units ("CGU"):

(i) CGU-A: advertising business included in the Group's services segment of HK$966,000 and disposed of during the year ended 30th September, 2012

(ii) CGU-B: a brand of product and service line acquired during the year ended 30th September, 2010 of HK$3,012,000

The basis of the recoverable amount of the CGU-B's major underlying assumptions are summarised below:

CGU-B also includes the trademarks as set out in note 17 which were acquired in the same business combination during the year ended 30th September, 2010. As at 30th September, 2013 and 2012, the recoverable amount of CGU-B was determined based on a value in use calculation. That calculation uses discounted cash flows projections based on financial forecast prepared by management in the coming 5 years and a discount rate of 16% (2012: 16%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. Such estimation is based on the CGU-B's past performance and management's expectations for the market developments. Management believes that any reasonable possible change in any of these assumptions would not cause the recoverable amount of CGU-B, which includes goodwill and trademarks, to fall below its carrying amount.

For the year ended 30th September, 2013 and 2012, management of the Group has determined that there are no impairments required to be recognised for any of its CGU containing goodwill or trademarks with indefinite useful lives.

19. INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
FAIR VALUE		
At the beginning of the year	**205,180**	189,560
Disposal	**(14,000)**	–
Reclassification to asset classified as held for sale (note 25)	**–**	(25,000)
Decrease in fair value recognised in the consolidated statement of profit or loss	**(960)**	–
Increase in fair value recognised in the consolidated statement of profit or loss	**32,514**	40,620
At the end of the year	**222,734**	205,180

The Group's investment properties at their fair values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of 50 years	**–**	14,960
Leases of over 50 years	**222,734**	190,220
	222,734	205,180

The fair value of the Group's investment properties as at 30th September, 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, independent valuers not connected with the Group.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

20. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
Cost						
At 1st October, 2011	133,738	3,532	12,169	40,714	12,165	202,318
Additions	22,871	500	864	5,898	697	30,830
Disposals	–	–	–	(3)	(62)	(65)
Disposal of a subsidiary	(258)	–	(242)	–	(44)	(544)
Write-off	(43,297)	–	(2,838)	(148)	(1,028)	(47,311)
Exchange realignment	337	4	42	5	30	418
At 30th September, 2012	113,391	4,036	9,995	46,466	11,758	185,646
Additions	**18,125**	**–**	**860**	**5,442**	**698**	**25,125**
Disposals	**–**	**(23)**	**(9)**	**(558)**	**(276)**	**(866)**
Write-off	**(6,045)**	**–**	**(207)**	**(380)**	**(1,917)**	**(8,549)**
Exchange realignment	**828**	**24**	**116**	**83**	**12**	**1,063**
At 30th September, 2013	**126,299**	**4,037**	**10,755**	**51,053**	**10,275**	**202,419**
Accumulated depreciation						
At 1st October, 2011	105,590	3,345	9,869	30,190	9,076	158,070
Provided for the year	24,053	136	1,592	4,422	1,106	31,309
Eliminated on disposals	–	–	–	(2)	(60)	(62)
Eliminated on disposal of a subsidiary	(186)	–	(164)	–	(31)	(381)
Eliminated on write-off	(43,297)	–	(2,837)	(62)	(1,014)	(47,210)
Exchange realignment	339	4	40	9	28	420
At 30th September, 2012	86,499	3,485	8,500	34,557	9,105	142,146
Provided for the year	**16,214**	**233**	**1,034**	**4,696**	**1,118**	**23,295**
Eliminated on disposals	**–**	**(23)**	**(8)**	**(463)**	**(156)**	**(650)**
Eliminated on write-off	**(5,004)**	**–**	**(206)**	**(316)**	**(1,719)**	**(7,245)**
Exchange realignment	**722**	**24**	**109**	**65**	**11**	**931**
At 30th September, 2013	**98,431**	**3,719**	**9,429**	**38,539**	**8,359**	**158,477**
Carrying value						
At 30th September, 2013	**27,868**	**318**	**1,326**	**12,514**	**1,916**	**43,942**
At 30th September, 2012	26,892	551	1,495	11,909	2,653	43,500

20. PROPERTY AND EQUIPMENT (Continued)

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the unexpired periods of the leases
Motor vehicles	20% to 33⅓%
Computer equipment	33⅓%
Machinery and equipment	20%
Office equipment, furniture and fixtures	20%

21. RENTAL DEPOSITS

These represents the deposits paid by the Group under non-cancellable operating leases for certain of its leased properties.

22. INVENTORIES

	2013 HK$'000	2012 HK$'000
Finished goods – merchandises	**48,957**	32,696

23. TRADE RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**25,411**	36,436
Less: allowances for bad and doubtful debts	**(1,093)**	(801)
Total trade receivables	**24,318**	35,635

23. TRADE RECEIVABLES (Continued)

The Group generally allows its trade debtors credit terms of 30 days to 90 days. The following is an aging analysis of trade receivables, presented based on the payment due date, net of allowances for bad and doubtful debts, at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**22,901**	28,332
31 days to 60 days	**932**	1,476
61 days to 90 days	**48**	46
Over 90 days	**437**	5,781
	24,318	35,635

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$437,000 (2012: HK$5,781,000) which were aged over 90 days and past due but not required impairment as at the reporting date. The Group does not hold any collateral over these balances.

Movement in the allowance for trade receivables:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**801**	778
Impairment loss recognised	**292**	43
Disposal of subsidiaries	**–**	(20)
Balance at end of the year	**1,093**	801

24. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 2.2% (2012: 1.4%) per annum.

25. ASSET CLASSIFIED AS HELD FOR SALE / LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

On the 24th September, 2012, the Group entered into a provisional sales agreement with an independent third party to dispose of an investment property at a consideration of HK$25,000,000. Accordingly, the relevant property interest of HK$25,000,000 was reclassified from investment properties to asset classified as held for sale in the consolidated statement of financial position as at 30th September, 2012. In addition, the balance of HK$490,000 was classified as liabilities associated with asset classified as held for sale in the consolidated statement of financial position at 30th September, 2012. The above disposal was completed on 8th November, 2012.

26. TRADE PAYABLES

The following is an aging analysis of trade payables, presented based on the payment due date, at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**6,801**	4,942

The average credit period on purchases of goods ranges from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all these payables are within the credit time frame.

27. RECEIPTS IN ADVANCE

The balance represents proceeds from sales of gift and drink coupons not yet redeemed and money received in advance for beauty salon services, skincare products and other related services.

28. CONVERTIBLE BOND

On 4th May, 2010, the Company issued a 5% unsecured convertible bond with a principal sum of HK$39 million to an independent subscriber pursuant to the Subscription Agreement. The convertible bond entitles the holder to convert in whole or in part of the principal amount into ordinary shares of the Company at any time prior to seven business days preceding the maturity date on 3rd May, 2013, at a conversion price of HK$2.21 per share, subject to anti-dilutive adjustments.

Upon the occurrence of certain conditions relating to the price and trading volume of the Company's shares, the convertible bond will be mandatorily converted, in part or in whole depending on the date of occurrence of such conditions, into ordinary shares of the Company at the conversion price of HK$2.21 per share, subject to anti-dilutive adjustments.

Also upon the occurrence of certain events involving reorganisation of the Group including a change in control, the bondholder has the option to demand immediate redemption before maturity at a price that shall provide the bondholder with an internal rate of return of 12% per annum on the principal amount.

Unless previously converted or redeemed, the convertible bond will be redeemed upon maturity at a price that shall provide the bondholder with an internal rate of return of 12% per annum on the principal amount.

The convertible bond contains two components, liability and equity elements amounting to HK$37,390,000 and HK$1,610,000 respectively. The effective interest rate of the liability component of the convertible bond is 13.68% per annum.

On 3rd May, 2013, the Company's convertible bond had been redeemed upon maturity by the Company in full at its carrying value. No gain or loss is recognised in profit or loss upon redemption of the convertible bond.

28. CONVERTIBLE BOND (Continued)

The movement of the liability component of the convertible bond for the current and prior year are set out as below:

	HK$'000
At 1st October, 2011	42,688
Interest charge (note 10)	5,675
Interest paid	(1,956)
At 30th September, 2012	46,407
Interest charge (note 10)	3,558
Interest paid	(1,945)
Redemption	(48,020)
At 30th September, 2013	–

29. SECURED MORTGAGE LOAN

	2013 HK$'000	2012 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,102**	34,385
Non-current liabilities	**28,481**	–
	31,583	34,385

As at 30th September, 2012, the Group's secured mortgage loan contained a repayment on demand clause and was accordingly classified as current liability. The contractual maturity analysis of this loan is set out in note 7.

The scheduled principal repayment dates of the loan with reference to the mortgage loan agreements are as follows:

	2013 HK$'000	2012 HK$'000
Within 1 year	**3,102**	3,038
1 year to less than 2 years	**2,930**	2,867
2 years to less than 3 years	**2,993**	2,930
3 years to less than 4 years	**3,058**	2,993
4 years to less than 5 years	**3,125**	3,058
5 years or more	**16,375**	19,499
	31,583	34,385
Less: Amount due on demand or within one year shown under current liabilities	**(3,102)**	(34,385)
Amount shown under non-current liabilities	**28,481**	–

29. SECURED MORTGAGE LOAN (Continued)

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment property with a carrying value of HK$222,734,000 as at 30th September, 2013 (2012: HK$190,220,000). It bears interest at 2.85% below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.15% (2012: 2.15%) per annum.

30. SHARE CAPITAL

	As at 30th September, 2013 HK$'000	As at 30th September, 2012 HK$'000
Authorised:		
2,000,000,000 (2012: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
763,952,764 (2012: 763,952,764) ordinary shares of HK$0.1 each	**76,395**	76,395

31. SHARE OPTIONS

(i) On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced an old share option scheme that expired on 22nd January, 2012. 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 23rd February, 2022, at its discretion, offer to grant options at an option price of HK$1.00 to any executives and full-time employees, part time employees with weekly working hours of 10 hours and above, executive or non-executive directors of the Company and/or any of its subsidiaries, any advisors (professional or otherwise), consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers 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 on which the Share Option Scheme was conditionally adopted pursuant to the resolution of the shareholders of the Company in general meeting held on 24th February, 2012. As at 24th February, 2012, the issued share capital of the Company comprised 763,952,764 shares. Thus, the shares to be issued will not be more than 76,395,276 shares. The subscription price shall be the highest of (i) the closing price of the shares of the Company on the Stock Exchange on the date of the grant of options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five business days immediately preceding the date of the grant of options; and (iii) 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 must not exceed 30% of the total number of shares in issue from time to time.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 24th February, 2012. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) within any twelve-month period under the Share Option Scheme and any other share option scheme(s) of the Company and/or any of its subsidiaries must not exceed 1% of the number of shares in issue.

No share options under the Share Option Scheme were granted since its adoption.

(ii) On 18th December, 2009, the Company entered into a consultancy agreement with independent third parties, Luminary Capital Limited (the "Advisor") and Mr. Leung Pak To, Francis, whereby an option was granted by the Company to the Advisor in return for its general consultancy and financial advisory services provided to the Group (the "Option") for a period of 24 months. The Option entitles the Advisor the right to require the Company to issue up to 36,955,600 option shares at an option price of HK$2.26 per option share during a 36 months' period from 18th December, 2009 to 17th December, 2012.

The closing price of the Company's shares immediately preceding 18th December, 2009 (the date the Option was granted) was HK$2.45.

The fair value of the Option was determined at the date of grant using the Binomial Option Pricing Model at approximately HK$35,305,000. An option expense of approximately HK$3,772,000 was recognised and charged to the consolidated statement of profit or loss for the year ended 30th September, 2012.

Following the Company's issue of bonus shares on 30th March, 2010, the number of option shares and the option price were adjusted to 73,911,200 shares and HK$1.13 per option share respectively.

The option had never been exercised and was expired during the year ended 30th September, 2013.

32. PENSION OBLIGATIONS

(a) Defined Contribution Plans

(i) The Group operates a MPF Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 per month before 1st June, 2012 and HK$1,250 per month, commencing from 1st June, 2012 as a mandatory contribution or 5% of the relevant monthly payroll costs to the MPF Scheme.

(ii) The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

(b) Defined Benefit Plan

A subsidiary of the Group in Taiwan participates in a pension plan as stipulated by the local statutory regulations. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The subsidiary has an obligation to ensure that there are sufficient funds in the defined benefit plan to pay the promised benefits to employees when they attain the age of retirement. The subsidiary currently contributes at a fixed percentage of the payroll incurred in accordance with the regulations.

Actuarial valuation was performed on the pension liability as at 30th September, 2013 and 2012 by an independent qualified actuary, Actuarial Consulting Company Limited, using projected unit credit cost method. The surplus between the pension asset and present value of the obligations as at 30th September, 2013 has been recognised in the consolidated statement of profit or loss in 2013.

(i) The amounts recognised in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefit plan are determined as follows:

	2013 **HK$'000**	2012 HK$'000
Present value of defined benefit obligations	**94**	235
Fair value of plan assets	**(784)**	(781)
Present value of defined benefit obligations	**(690)**	(546)
Unrecognised actuarial gains	**806**	718
Liability in the consolidated statement of financial position	**116**	172

32. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

(ii) The amounts recognised in the consolidated statement of profit or loss in respect of the defined benefit plan were as follows:

	2013 HK$'000	2012 HK$'000
Interest cost	**4**	4
Expected return on plan assets	**(13)**	(14)
Net actuarial gain	**(45)**	(52)
Total gain recognised in the consolidated statement of profit or loss (note 15)	**(54)**	(62)

(iii) The movements in the liability recognised in the consolidated statement of financial position:

	2013 HK$'000	2012 HK$'000
At the beginning of the year	**172**	225
Exchange realignment	**(2)**	9
Total gain included in staff costs (note 15)	**(54)**	(62)
At the end of the year	**116**	172

(iv) The principal actuarial assumptions used are as follows:

	2013 %	2012 %
Discount rate	**1.90**	1.70
Expected rate of return on plan assets	**1.90**	1.70
Expected rate of future salary increase	**2.25**	2.25

(v) The movements in the present value of the defined benefit obligations during the year are as follows:

	2013 HK$'000	2012 HK$'000
At the beginning of the year	**235**	202
Exchange realignment	**(2)**	8
Interest cost	**4**	4
Actuarial (gain) loss	**(143)**	21
At the end of the year	**94**	235

32. PENSION OBLIGATIONS (Continued)

(b) Defined Benefit Plan (Continued)

(vi) The actuarial valuation shows that the market value of plan assets was approximately HK$784,000 (2012: HK$781,000). The movements in the fair value of the plan assets during the year are as follows:

	2013 HK$'000	2012 HK$'000
At the beginning of the year	**781**	746
Exchange realignment	**(7)**	28
Expected return on plan assets	**13**	14
Actuarial loss	**(3)**	(7)
At the end of the year	**784**	781

(vii) The major categories of plan assets, and the percentage of the fair value at the end of the reporting period for each category are as follows:

	2013 %	2012 %
Deposits with financial institutions	**25.05**	21.77
Short term bills	**5.27**	12.42
Stocks	**8.90**	9.28
Bonds	**10.09**	11.51
Others	**50.69**	45.02
	100.00	100.00

33. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Intangible assets HK$'000	Convertible bond HK$'000 *(Note)*	Undistributable profits of subsidiaries HK$'000	Total HK$'000
At 1st October, 2011	901	4,392	(9,718)	611	(10,687)	(14,501)
Exchange realignment	–	29	–	–	(38)	(9)
(Charged) credited to the consolidated statement of profit or loss	(280)	5,205	–	614	3,058	8,597
Reclassification to liabilities associated with asset classified as held for sale	322	–	–	–	–	322
At 30th September, 2012	943	9,626	(9,718)	1,225	(7,667)	(5,591)
Exchange realignment	–	216	–	–	(58)	158
Credited (charged) to the consolidated statement of profit or loss	823	(1,038)	–	(1,488)	1,192	(511)
Credited to equity for the year	–	–	–	263	–	263
PRC withholding tax paid	–	–	–	–	4,475	4,475
At 30th September, 2013	1,766	8,804	(9,718)	–	(2,058)	(1,206)

Note: The deferred tax asset on convertible bond represents the temporary timing difference between the effective interest expense and the coupon interest payment.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**11,302**	12,493
Deferred tax liabilities	**(12,508)**	(18,084)
	(1,206)	(5,591)

At the end of the reporting period, the Group had unused tax losses of approximately HK$157,823,000 (2012: HK$117,728,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$37,714,000 (2012: HK$41,389,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$120,109,000 (2012: HK$76,339,000) due to the unpredictability of future profit streams.

34. DISPOSAL OF SUBSIDIARIES

On 31st July, 2012, the Group entered into sale and purchase agreements to dispose of its 60% equity interest in Oasis Brand Communications Company Limited and 深圳市奧貝思廣告有限公司 ("深圳奧貝思") at a cash consideration of HK$1,000. Both of these subsidiaries carried out the advertising business and their results before disposal for the year ended 30th September, 2012 were included in the Group's service segments that set out in note 8. The disposal was completed on the same date, on which control of these subsidiaries was lost. Net cash outflow arising on disposal amounted to approximately HK$299,000.

Pursuant to the sale and purchase agreement dated 31st July, 2012, the Group and the non-controlling shareholders waived the amount due from 深圳奧貝思 of HK$960,000 and HK$640,000 respectively, on a proportionate basis at the date of disposal. After taking into account of such waiver, a loss on disposal of subsidiaries, amounting to approximately HK$789,000, was recognised in the profit or loss during the year ended 30th September, 2012.

35. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying value of the Group's asset which was pledged to secure a mortgage loan is as follows:

	2013 HK$'000	2012 HK$'000
Investment property	**222,734**	190,220

36. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**4,435**	334

(b) Commitments and Arrangements under Operating Leases

At the end of the reporting period, the Group had total future aggregate minimum lease receipts and payments under non-cancellable operating leases in respect of investment properties and rented premises as follows:

As lessors **Rental receipts**	2013 HK$'000	2012 HK$'000
Not later than 1 year	**4,590**	3,067
More than 1 year and not later than 5 years	**3,387**	–
	7,977	3,067

There was no contingent lease arrangement for the Group's rental receipts.

36. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (Continued)

(b) Commitments and Arrangements under Operating Leases (Continued)

As lessees Rental payments	2013 HK$'000	2012 HK$'000
Not later than 1 year	**118,325**	101,392
More than 1 year and not later than 5 years	**125,817**	93,304
	244,142	194,696

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases terms are negotiated and 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 predetermined 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.

37. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
DIRECTLY HELD:				
Water Oasis Group (BVI) Limited	British Virgin Islands 16th December, 1999	Ordinary shares US$30,000	100%	Investment holding in Hong Kong
INDIRECTLY HELD:				
Water Oasis Holdings Limited	British Virgin Islands 16th December, 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Oasis Spa Holdings Limited	British Virgin Islands 16th December, 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Oasis-Beauty.com Holdings Limited	British Virgin Islands 16th December, 1999	Ordinary share US$1	100%	Investment holding in Hong Kong
Water Oasis (Labuan) Holdings Limited	Labuan, Malaysia 28th June, 2000	Ordinary shares US$10,000	100%	Investment holding in Taiwan

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
Water Oasis China (BVI) Limited	British Virgin Islands 12th October, 2000	Ordinary share US$1	100%	Investment holding in Hong Kong
OBS Company Limited	Hong Kong 26th July, 2000	Ordinary shares HK$2	100%	Inactive
Water Oasis Company Limited	Hong Kong 6th May, 1998	Non-voting deferred shares HK$1,000,000 Ordinary shares HK$10,000	100%	Retail sales of skincare products in Hong Kong
Oasis Spa Company Limited	Hong Kong 24th December, 1999	Ordinary shares HK$1,000,000	100%	Operating of spa and provision of beauty services in Hong Kong
Oasis Techno-Beauty Company Limited	Hong Kong 24th December, 1999	Ordinary shares HK$10,000	100%	Distribution of beauty service equipment and products in Hong Kong
Water Babe Company Limited	Taiwan 17th September, 1999	Common stock NT$20,000,000	90%	Retail sales of skincare products in Taiwan
Water Oasis (China) Holdings Limited	Samoa 5th April, 2000	Ordinary shares US$101	90.1%	Investment holding in Hong Kong
Claire International Limited	Hong Kong 22nd October, 1999	Ordinary shares HK$2	100%	Property holding in Hong Kong
Oasis Florist Company Limited	Hong Kong 18th October, 2000	Ordinary shares HK$2	100%	Operating of a florist shop in Hong Kong
Water Oasis (Macau) Company Limited	Macau 19th July, 2001	Ordinary shares MOP$25,000	100%	Retail sales of skincare products in Macau
Oasis Beauty Company Limited	Hong Kong 13th March, 2002	Ordinary shares HK$1,000,000	100%	Operating of beauty salons in Hong Kong
Aricon Investments Limited	British Virgin Islands 8th March, 2002	Ordinary share US$1	100%	Inactive
Master Advance Limited	Hong Kong 28th June, 2002	Ordinary shares HK$1,000,000	100%	Property holding in Hong Kong

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
奧思美容品（上海）有限公司 *(Note 1)*	The PRC 9th February, 2002	US$200,000	90.1%	Retail sales of skincare products in the PRC
奧泉（上海）商貿有限公司 *(Note 1)*	The PRC 9th March, 2006	US$200,000	100%	Retail sales of skincare products and operating of beauty salons in the PRC
Water Oasis (Singapore) Pte. Limited	Singapore 6th November, 2003	Ordinary shares S$300,000	100%	Retail sales of skincare products in Singapore
Top Distinct Limited	Hong Kong 26th January, 2006	Ordinary shares HK$2,000,000	100%	Operation of beauty salons in Hong Kong
Oasis Medical Clinic Company Limited	Hong Kong 6th November, 2007	Ordinary share HK$1	100%	Operation of beauty salons and provision of other related services in Hong Kong
WO North China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding and trading in Hong Kong
WO Central China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in Hong Kong
WO South China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in Hong Kong
Oasis Cosmetic Holdings Company Limited	Hong Kong 17th June, 2008	Ordinary share HK$1	100%	Investment holding in Hong Kong
伊蒲雪化妝品商貿（上海）有限公司 *(Note 1)*	The PRC 5th February, 2009	US$500,000	100%	Inactive
伊亮諾化妝品商貿（上海）有限公司 *(Note 1)*	The PRC 5th February, 2009	US$500,000	100%	Inactive
伊翠露化妝品商貿（上海）有限公司 *(Note 1)*	The PRC 5th February, 2009	US$500,000	100%	Inactive
Water Oasis E.L. (HK) Company Limited	Hong Kong 19th March, 2009	Ordinary shares HK$1,000,000	100%	Retail sales of skincare products in Hong Kong

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage of attributable equity interest	Principal activities and place of operation
INDIRECTLY HELD: (Continued)				
上海奧薇化妝品商貿有限公司 *(Note 2)*	The PRC 22nd April, 2009	US$1,400,000	75%	Retail sales of cosmetic products in the PRC
Water Oasis Shanghai Holdings Limited	Hong Kong 9th September, 2009	Ordinary share HK$1	90.1%	Inactive
Glycel Holdings Company Limited	British Virgin Islands 20th April, 2010	Ordinary share US$1	100%	Investment holding in Hong Kong
Progress Success Limited	British Virgin Islands 16th March, 2010	Ordinary share US$1	100%	Investment holding in Hong Kong
Laboratoire Glycel Societe Anonyme	Liechtenstein 10th September, 1997	Normal shares CHF50,000	100%	Holding of trademark
Glycel Laboratoire SA	Switzerland 18th November, 2005	Normal shares CHF100,000	100%	Holding of trademarks
Glycel Company Limited	Hong Kong 19th February, 2010	Ordinary shares HK$1,000,000	100%	Retail sales of skincare products and operating of beauty salons in Hong Kong
Oasis Beauty (Macau) Company Limited	Macau 18th July, 2013	Ordinary shares MOP$100,000	100%	Inactive

None of the subsidiaries had issued any debt securities during the year.

Note: (1) These companies are wholly foreign owned enterprises.

(2) The Company is a sino-foreign joint venture.

38. RELATED PARTY TRANSACTION

Compensation of key management personnel

	2013 HK$'000	2012 HK$'000
Basic salaries	**3,588**	10,333
Bonuses	**3,910**	6,770
Retirement benefit costs	**60**	63
	7,558	17,166

Five-Year Financial Summary

	Year ended 30th September,				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**628,971**	824,432	985,339	911,878	920,955
Profit before taxation	**38,485**	64,023	115,683	71,275	101,160
Taxation	**(7,605)**	(1,209)	(34,509)	(6,561)	(17,090)
Profit for the year	**30,880**	62,814	81,174	64,714	84,070
Profit for the year attributable to:					
Owners of the Company	**34,259**	67,981	84,648	66,501	81,630
Non-controlling interests	**(3,379)**	(5,167)	(3,474)	(1,787)	2,440
	30,880	62,814	81,174	64,714	84,070
STATEMENT OF FINANCIAL POSITION					
Total assets	**683,695**	773,496	861,583	732,083	539,375
Total liabilities	**(407,235)**	(481,074)	(540,566)	(473,062)	(340,465)
	276,460	292,422	321,017	259,021	198,910
Equity attributable to					
Owners of the Company	**268,156**	280,831	304,681	246,916	185,980
Non-controlling interests	**8,304**	11,591	16,336	12,105	12,930
	276,460	292,422	321,017	259,021	198,910

Corporate Information

DIRECTORS

Executive Directors

Yu Kam Shui, Erastus
Tam Chie Sang
Yu Lai Chu, Eileen
Lai Yin Ping

Independent Non-Executive Directors

Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.
Wong Chi Keung

AUDIT COMMITTEE

Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.
Wong Chi Keung

REMUNERATION COMMITTEE

Wong Chun Nam, Duffy, J.P.
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chi Keung

INVESTMENT ADVISORY COMMITTEE

Wong Chi Keung
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.
Yu Kam Shui, Erastus

NOMINATION COMMITTEE

Wong Chi Keung
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.

DISCLOSURE COMMITTEE

Yu Kam Shui, Erastus
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, J.P.
Wong Chi Keung

COMPANY SECRETARY

Tang Lo Nar

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Deacons
Reed Smith Richards Butler

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