Water **Oasis** Group Limited

奧 思 集 團 有 限 公 司

Stock Code 股份代號：1161

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Renew and Innovate
for a Brighter Future

2016 | ANNUAL REPORT
年 報

2016 ANNUAL REPORT 年報

CONTENTS

Corporate Profile

Water Oasis Group Limited (the "Company" or "Water Oasis", together with its subsidiaries, collectively the "Group") is a leading beauty services provider and beauty product retailer in Hong Kong. Founded in 1998 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2002, from its beginnings the Group has been one of Hong Kong's most innovative companies within its industry, and has been responsible for numerous "firsts". Coupling a clear vision with a constant impetus for development and transformation, the Group has expanded over the years into an esteemed provider of beauty services along with a strong product portfolio of self-owned and licensed brands. Already a leading player in the territory, the Group aims to become a regional leader in its field across Greater China.

Oasis Portfolio

The Group's core beauty services, combined under its "Oasis" brand name, together make up a synergistic portfolio of beauty services and related wellness services. When put together, the various Oasis brands deliver a remarkably comprehensive all-round offering of beauty services and products that give "Oasis" a strong and unique competitive advantage in the market. The Oasis range appeals to almost all significant consumer sectors, including high-end, mid-range and mass market customers, both male and female, as well as offering a full selection of general, specialist and medical beauty services.

Recently, the Group integrated its 2 Aqua Beauty centres into the Oasis Beauty network. Thus, as at 30th September, 2016, the Group had 17 Oasis Beauty centres in Hong Kong, along with a further 3 Oasis Beauty centres in Beijing. The attractively presented centres serve middle-class customers looking for a mix of high quality skincare products and advanced beauty equipment administered by professional beauticians. In addition, 3 Oasis Homme centres in Hong Kong deliver high-end one-stop facial and body treatments for men.

Meanwhile, the Group's 3 Oasis Spa centres provide outstanding beauty service and slimming experience for high-end customers, offering advanced European beauty equipment and treatments in a luxuriously soothing environment. Each is equipped with world-class beauty machines, and staffed by highly trained professional beauticians.

The Group's 6 Oasis Medical Centres offer state-of-the-art medical aesthetic treatments under the careful oversight of full-time registered medical doctors and professional therapists. The centres are equipped with the latest advanced equipment that provides the treatments for a wide range of skin issues.

Other related services operating under the Oasis brand are Oasis Nail and Oasis Florist. The Oasis brand has great potential for new service businesses to be added. One example is the launched Oasis Health service. This provides health management services and products in the form of tailored nutritional advice and a collection of health supplements in tandem with beauty and body treatments. Oasis Health is delivered at Oasis salons and Oasis Medical Centres, where it makes up part of a one-stop beauty service.

Glycel

Alongside its Oasis brands is the Group's self-owned Glycel brand, a reputable skincare brand recognised for its pioneering cell rejuvenation technology. Glycel adds a more international edge to the Group's beauty offerings, with cellular therapy and anti-aging products developed in Switzerland. Acquired in 2010 with worldwide distribution rights, the Group is expanding its Glycel brand presence in Hong Kong. It currently has 13 outlets in Hong Kong which include a range of spas providing high-end beauty services within a resort-style ambience along with outlets retailing the Swiss-made product range, and 1 retail outlet in Macau. Glycel is also moving into high-end beauty devices, which currently include the 42°C Mobile Skin Therapist, Body Therapist, V-Ultrasonic Clarifying Peel and One-touch Intelligent Eye Therapist beauty devices.

DermaSynergy and Eurobeauté

The Group's self-owned DermaSynergy brand with its advanced medical beauty product line is further expanding the reach and significance of business of Oasis Medical Centre. DermaSynergy is a revolutionary skin care system that provides dermatological expertise to maximise the benefits of derma treatment. Its product range together represents a comprehensive skin care and protection system, professionally formulated especially for post-medical skin treatment.

The Group's own-brand Eurobeauté products, extensively used as part of many Oasis Beauty treatments, are also sold at its outlets to customers. Combining global leading technology, latest research and equipment, Eurobeauté provides Asian women with the skincare solution as a complement homecare regimen to professional salon treatment.

Retail Distributor

Separate from its beauty services, the Group also retails and distributes selected high-quality, world-renowned skincare brands in Hong Kong. The retail business continues to be an important part of the Group's business portfolio. One of these brands is Erno Laszlo, for which it has held exclusive distributorship rights for Hong Kong since 2009. Erno Laszlo, the first doctor's skincare brand from New York, was founded in 1927 by renowned dermatologist Dr. Erno Laszlo, and has long been embraced by global celebrities and Hollywood stars who have included Marilyn Monroe, Audrey Hepburn and Grace Kelly. The Group operates 5 Erno Laszlo outlets in Hong Kong.

The Group is also distributor of products of H2O+, a renowned marine-derived skincare brand from the United States. This is the Group's foundational brand which retains a strong and loyal customer base in Hong Kong. There are currently 6 H2O+ retail outlets in prime Hong Kong locations. In Macau, the Group maintains a single Oasis Beauty Store, which sells H2O+ and Glycel brand products as well as offers beauty treatment services.

CEO's Statement

I am once again pleased to present the Group's results for the year ended 30th September, 2016. There is no doubt that this has been a year when Hong Kong businesses overall have been pinched by economic changes and uncertainties, especially those in industries such as ours that rely on discretionary spending. This being so, the Group's continued profitability and its ability to maintain its gross profit margin is a very positive sign of its underlying strengths. Despite the general slide in consumer discretionary spending and also the drop in spending of VIP customers dragging down the Group's turnover, the number of VIP customer visits maintained at high frequency level and only saw a slight decline. This reflects that the Group has a loyal VIP customer following. And the reduction of spending of VIP customers was partially offset by the increase in spending of new customers. Generally, we have seen encouraging improvements in both turnover and profitability in the second half of the year which are testimony to the value of our prudent strategies and responsive business operations. Overall, our operational performance was in line with industry trends for the year.

Increasing Core Competency and Competitiveness

Our business model is one that has meant we have been able to weather downturns in the market and ride our fundamental strengths even when times become challenging. We have responded to the market dip by implementing very careful and prudent cost controls, which have certainly paid off. At the same time we have continued to invest in our core competitive competencies. In the past year, that has involved us putting more efforts into understanding and reaching out to the beauty and skincare market in Hong Kong as well as our own existing customer pool, especially through insightful data analytics and an increasing shift towards digital marketing. We have undertaken robust reviews of our well-defined targets, which are helping our businesses achieve a healthier and more balanced mix for long-term success. The targets provide clear goals for new customer acquisition, conversion rates (i.e. for converting trial customers into those making meaningful purchases), and for expanding our active customer base and customer loyalty. We have seen significant progress on the key measures. For example, we have recorded acceleration in securing new customers as the number of new customers for our services business grew by approximately 30% year-on-year, and the number of new customers who purchased treatment packages rose by 10 percent points in less than one year. The active customer base for both Glycel and Oasis Beauty recorded more than double-digit growth over the year, while our Oasis Medical Centres have recorded increases in overall doctor utilisation rates, doctor productivity and penetration of focused treatments. These increasing revenue streams have helped offset the challenges we face in terms of reduced VIP customer turnover. Importantly, we now have a healthy stream of new customers to be groomed to become VIP customers in the future.

Building Consumer Engagement and Acquiring New Customers

Apart from reorganising our marketing team to place a greater focus on digital marketing, we have spent time in the year in opening up new e-markets for our products and services. We have also taken, and are continuing to take, steps to upgrade our online presence and make consumers' online experience more engaging and pleasurable. Early results are excellent: our website views have tripled over the past year, while easy online registration for product and services trials and similar promotions is attracting enthusiastic new users. These moves are not only bringing us new customers, but are increasing our efficiency and cost-effectiveness too.

In mid-year we carried out a high-profile Oasis "Nude Beauty" Campaign designed to further raise the image of both the Oasis brand image of all-rounded beauty professional. Featuring local super celebrity Joey Yung, the campaign generated powerful brand images in MTR stations, on prominent outdoor billboards, in print advertising, and on social media. Besides being very effective in boosting awareness of key Oasis brands and products, the Campaign more generally helped reinforce the Group's positioning as a prominent high-end medical cosmetology provider, and all-round beauty therapy authority. The campaign achieved a wide reach, gaining a cumulative total of over 20 million viewer impressions.

Consolidating and Sustaining our Retail Presence

Competition within Hong Kong's beauty and skincare product market is extremely intense, and the market has shrunk too due to the reduction in Mainland China tourist spending. Our retail business has been impacted as a result, and has experienced an overall decrease in turnover. Prompt action, however, including the closure of a few unprofitable stores, has enabled us to maintain and even improve our profitability. Some of our own-brand products, Eurobeauté and DermaSynergy in particular, performed very well in such a tough market, posting double-digit increases in turnover. However our foundational distributor brands H2O+ and Erno Laszlo have yet to follow suit, and we will be providing them further support in the year to come in efforts to turn this situation around.

Driving Innovation in Challenging Times

Understanding what customers want in this changing environment, predicting their responses, and guiding their preferences, are all essential steps for engaging in meaningful innovation. This is what we have been doing more effectively than ever with our new data analytics capabilities and our step-up in online presence and digital marketing. We have been embracing change and innovation, so we have also been active in developing new beauty services and products, and in finding new ways to optimise the experience of our customers online, offline and at our outlets. One highlight, for example, was the launch of our Oasis app, which enables customers to book treatments and pay online and generally to interact regularly and closely with Water Oasis in new ways.

Leveraging External Recognitions and Awards

We have also been leveraging our strong product and services recognitions to make an impact on existing and potential customers. Over the past two years we have received upwards of 30 separate awards from many different opinion-shaping publications and organisations. A number of our products have been recognised as leaders within their fields, while our beauty services have also picked up prestigious recognitions for the quality and overall excellence of the experience they offer. Four examples are Oasis Medical Centre's receipt of the mcLIKES Beauty Awards 2016 - Professional Beauty Medical Center, organised by Marie Claire magazine, and Glycel's achievement of the Best Body-Shaping Gadget award (Cosmo Body Awards 2016), of Jessica Magazine's My Star-Rated Beauty Award 2016 – Beauty Gadget, for its One-Touch Intelligent Eye Therapist, and of Marie Claire magazine's Excellence Beauty Service Award 2016 – for its Glycel Premier Spa.

The prospects going forward for our core businesses are promising, and we will not flag in our attempts to consolidate them and develop new and profitable facets. For example, we are exploring untapped skincare product segments, while also looking at ways to get our products and services into the Mainland market more effectively. Strategic partnerships and/or acquisitions remain another option should the right circumstances arise.

With these opportunities ahead of us, I believe the future remains bright for the Group. Achieving our goals will take hard work, but I am as always very grateful to the many organisations and individuals who have supported and continue to support us. Specifically, I would like to express my gratitude to the board, to our Water Oasis employees, our business partners, and of course to our valued customers who have recognised the value of what we offer. Together, we are taking the right steps to grip market trends and opportunities so as to lay a foundation for achieving growth and new development.

Stevie Wong
Chief Executive Officer

Management Discussion and Analysis

For the year ended 30th September, 2016 ("the year"), the Group had to deal with strong macro-economic events that dampened consumer spending and had a particularly adverse effect on the beauty and skincare market. The generally weak retail environment continued to put the brakes on discretionary spending. This was accompanied by a continuation of the trend towards slower uptake and consumption patterns among users of the Group's beauty services packages. However, the Group's second half profit performance represented an improvement over the first half, indicating that the turnaround measures implemented over the year have been effective. Overall, the Group's performance was in line with the industry trend; its fall in overall turnover and profit for the year amounted to 9.4% and 44.8% respectively. Meanwhile the turnover and profit for the period dropped by 11.1% and 72.0% in the first half of the year and dropped by 7.6% and increased by 3.6% in the second half of the year comparing with the same period in 2015.

Careful management of its operations combined with stringent cost controls enabled the Group to keep its gross profit margin stable at 90.9%, the same as last year. Basic earnings per share for the year amounted to 3.8 HK cents (2015: 6.6 HK cents).

The Group's gradual transformation of the past few years from a primarily retail business to a services-driven business continued. This was again demonstrated by the change in the overall sales mix for the year, which rose to 75.4% beauty services as against 24.6% retail, compared with 73.7% and 26.3% respectively last year.

The Group was able to reduce its overall costs for the year by comparison with the previous year due to careful and prudent cost-management, which included the closure of a number of unprofitable outlets. Its advertising, rental and staff costs all fell by 1.5%, 8.3% and 4.0% respectively by comparison with the previous year.

The Group's bank balances and cash levels as at 30th September, 2016 stood at approximately HK$300.5 million. Its current ratio was 0.9:1 and its debt-equity ratio was 7.9%. The board of directors has recommended the payment of a final dividend of 2.0 HK cents per share, bringing the full-year dividend to 3.0 HK cents per share (2015: 6.5 HK cents).

Business Review

OASIS Portfolio

The Group's Oasis brand portfolio includes a series of related beauty services – Oasis Beauty, Oasis Spa, and Oasis Homme – together with its professional medical beauty brand Oasis Medical Centre, an online florist business, Oasis Florist, and a nail care business, Oasis Nail. Starting in June and running through to the end of the year, a holistic Oasis "Nude Beauty" marketing campaign was run in support of the entire Oasis brand portfolio. The campaign, which included online, outdoor, and traditional print advertising along with various instore activities, successfully generated over 20 million cumulative views. The various Oasis brands and promotion messages dramatically increased public awareness of the quality of the Group's brands and services, and led to a significant rise in new customer trials and purchases by existing customers.

Oasis Beauty and Oasis Spa

Enhanced Quality Awareness and Increase in New Trials of Oasis Brands

For the year under review, both the Group's Oasis Beauty and Oasis Spa businesses in Hong Kong experienced a moderate downturn in business due to the external factors mentioned above. In total, turnover decreased by 9.8%.

In response to the volatile market, Oasis Beauty continued to invest in new products and new services designed to give customers the very best and latest in beauty treatments. During the year, sophisticated new Korean-style facial treatments were introduced to Oasis Beauty outlets, and new V-Lift 8 beauty equipment was also installed. These developments, together with the impact of the Oasis Campaign mentioned above, helped enhance the reputation of Oasis Beauty for high quality services, and encouraged a large number of new trials of both beauty services and Oasis products.

Oasis Nude Beauty Campaign blasted in prime locations in Hong Kong

At year-end, the Group was operating a total of 20 Oasis Beauty centres in Hong Kong (comprising 17 Oasis Beauty and 3 Oasis Homme outlets), together with three self-managed Oasis Beauty centres in the PRC. One Oasis Beauty outlet was opened in Sheung Shui during the year to serve north-eastern New Territories consumers. The franchised Oasis Beauty operation in Zhejiang, the PRC ceased operation during the year. The Group's Oasis Beauty Store in Macau continued to operate.

Oasis Medical Centre

Sustained Growth and Improved Productivity

The Group's 6 Oasis Medical Centres in Hong Kong continued to perform well despite the challenges of the general environment, posting growth of 4.1% in turnover when compared with that of last year. Indeed, Oasis Medical Centres have been an ongoing success story for the Group since they were first introduced in 2008. Utilising the latest in high-end medical equipment and employing qualified doctors and other highly-trained staff, the centres have built a strong reputation for high-quality medical beauty treatments that are able to make a significant difference for many users.

During the year, new Oasis Medical Centre services were introduced that included a new Derma Veil injection treatment for skin enhancement, which has been proven effective in diminishing skin damage from aging, sickness or sun exposure. In addition, an innovative new piece of beauty equipment for advanced body shaping and slimming, the Duet Thermalshape, was introduced.

Customer increases in the year led to higher utilisation of doctor capacity, and an overall increase in doctor productivity of around 15%.

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Glycel

Steps to Strengthen Swiss Anti-aging Professional Positioning and Leadership in Beauty Device Market

Glycel is a self-owned brand comprising beauty treatment services and related products that originate from Switzerland. In line with the overall economic and retail environment, the performance in total retail and services' turnover of the Glycel brand fell year-on-year, by approximately 8.8%.

The Group introduced a number of innovative new beauty devices and products under the Glycel brand during the year. A new device for eye treatment, the One-Touch Intelligent Eye Therapist, along with the V-Ultrasonic Clarifying Peel, were welcomed for their treatment of a delicate area of the face. Other new treatments included Glycel Oxyage, while several new Glycel products such as Hydro-Firm Skin Perfection Cream and Hydro-Firm Instant Lift Face Mask were also introduced.

The Group closed three Glycel outlets, while 2 new outlets were opened at the same time during the year. Besides, it also briefly opened two Glycel counters in ISA stores during the year, but closed both before year-end. The result was a slight reduction in the total number of Hong Kong Glycel outlets, to 13 from 14 a year previously.

Erno Laszlo

Improved Profitability Despite Reduction in Turnover

Two unprofitable Erno Laszlo outlets were closed during the year, leaving 5 in operation at year-end against 7 the previous year.

Although a couple of outlets were closed, the Erno Laszlo brand was given good impetus with the launch of a range of new products that included attractive new skin cleansing bars and oils for all types of skin.

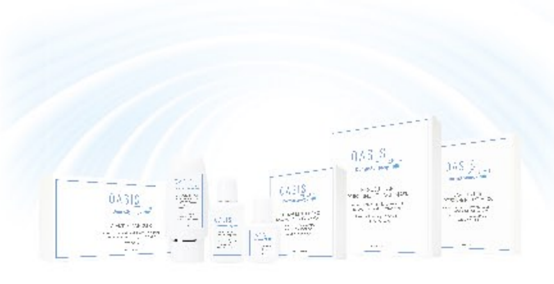
H2O+

Sales of H2O+ brand products fell in line with the market over the year. The Group closed down 7 low-performing H2O+ outlets and opened one new outlet in Causeway Bay. The overall result was to halve the number of outlets at year-end from the 12 in operation one year previously.

DermaSynergy and Eurobeauté

Good Performance by Self-owned Brands due to Abundant Innovation Pipeline

Products of the Group's owned brand Eurobeauté, extensively used as part of many Oasis Beauty treatments, are also sold at its outlets to consumers. During the year, 7 brand new Eurobeauté products were introduced, significantly spurring uptake of these products and leading to double-digit growth in product sales for the year. Similarly, DermaSynergy products generated enthusiasm among users, leading to strong growth in product sales of this own brand.



PROSPECTS

Many uncertainties in the overall environment remain, and the Group expects the year 2016/2017 to remain a difficult operating environment. A cautious and prudent approach to achieving organic growth will therefore continue to be adopted in managing the coming year.

The Group's growth strategy will primarily be focused on increasing its core competencies and further boosting its competitiveness in areas such as its ability to provide a superior customer experience, to engage consumers, and to run its operations effectively. These remain the keys to a successful future, especially in the face of the current business challenges.

In practical terms, the Group will leverage its impressive and integrated brand portfolio to drive long-term success. At the same time, it will continue to work on building and shaping its existing customer pool profile and mix. This will involve it in expanding the range of customers that it serves, to create a broader pool that will provide a better balance that is both profitable and sustainable.

Throughout this process, the Group will continue to exercise robust cost controls across its operations, continuing its long tradition of prudent financial management.

The Group withdrew from China's retail market for beauty products some years ago, in the face of intense competition and challenging operational requirements. However, it believes that its products have considerable potential in the PRC market, and is continuously looking into ways of tapping into cross-border e-commerce platforms and developing opportunities to get China consumers involved in product trials.

Going forward into the coming year, there are a number of strategic priorities that the Group expects to be at the forefront of its activities. Its Oasis Medical Centres are an ongoing success story, and it is clear they have much potential for further penetration in the market. The Group will be leveraging its successes with this segment to further establish itself as a leader in the field of medical beauty, and in particular an expert in firming and injection treatments.

Oasis Beauty will maintain its focus on acquiring new customers and enhancing the "stickiness" of the existing customer base, thus generating a broad groundswell of loyal users. Data analytics and enhancements in online visibility will be important drivers here, as will be the introduction of new high technology, high efficacy treatments. The Glycel brand will also be re-boosting productivity through innovation, with plans afoot to introduce new equipment and services in its operations, along with new beauty devices and anti-aging products for home use. Meanwhile, the Group's own DermaSynergy and Eurobeauté brands are being groomed as the next growth drivers for the Group.

The Group's continual investment in its core businesses as described above is working to raise its brand profile among Hong Kong consumers and expand its potential client base. Should opportunities for cooperation and joint promotions with other parties arise, or acquisition opportunities that could help the Group further achieve its goals, these will be closely explored. The Group is confident that its careful market-focused development will unlock new customers and help it further broaden its client base in the future.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 66, is one of the founders of the Group. Mr. Yu is the chairman of Disclosure Committee and a member of Investment Advisory Committee of the Company. 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. 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 64, 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, 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 64, 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. Ms. Yu 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 61, 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, the sister-in-law of Mr. Tam Chie Sang and Ms. Yu Lai Chu, Eileen, 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 68, 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 practising director of Patrick Wong CPA Limited and has over 40 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 C C Land Holdings Limited, Galaxy Entertainment Group Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited), Real Nutriceutical Group Limited, Sino Oil and Gas Holdings Limited, National Arts Entertainment and Culture Group Limited, Winox Holdings Limited, BAIC Motor Corporation Limited and Li Bao Ge Group Limited. Prof. Wong was an independent non-executive director of Excel Development (Holdings) Limited and China Precious Metal Resources Holdings Co., Ltd. from 21st November, 2013 to 10th August, 2015 and from 19th June, 2004 to 3rd October, 2016 respectively. All companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, Duffy, B.B.S., J.P., aged 63, 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. Mr. Wong participates in many public services including being a Justice of the Peace, the Chairman of the HKSAR Passports Appeal Board and the Chairman of the Quality Education Fund Steering Committee.

Dr. WONG Chi Keung, aged 61, 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, PRC. Dr. Wong has also held various senior executive positions with some of Hong Kong's leading property companies. Dr. Wong is currently the deputy chairman and executive director of C C Land Holdings Limited and executive director of The Cross-Harbour (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. Besides, Dr. Wong is a director of The Hong Kong School of Motoring Limited and an alternate director of Autotoll Limited. Dr. Wong was the managing director of Y. T. Realty Group Limited from 10th January, 2000 to 29th February, 2016, which is listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Ms. WONG Man Lai, Stevie, aged 46, is the Chief Executive Officer (the "CEO") of the Group starting from 2nd October, 2013. Ms. Wong 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 and skincare brand businesses in Greater China and Asia. Prior to joining the Group, she was the President of Greater China Beauty Care and then the President of Global Strategy and Innovation, Premium Consumer of a leading global consumer products and beauty care company. She was 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 50, is the Chief Financial Officer of the Group. Prior to joining the Group since March 2007, Mr. Au has over 25 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 The Institute of Chartered Accountants in 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. KIU Wai Kei, Noel, aged 49, 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 Directors.

Mr. TAM Siu Kei, Alan, aged 39, 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 and PRC. 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, the nephew of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping, all of which are directors of the Company. Mr. Tam is the cousin of Mr. Yu Ho Kwan, Steven, who is the Director – Mainland China.

Mr. YU Ho Kwan, Steven, aged 33, is the Head of Internal Audit and Business Development of the Group since January 2015 and 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 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 of the Company (the "Board") is pleased to present this corporate governance report in the Company's annual report for the year ended 30th September, 2016.

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, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules" respectively) throughout the year ended 30th September, 2016.

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 for ensuring that all directors are properly briefed, either by her or by members of the Company's senior management, on issues arising at the 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 being 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, 2016 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 written 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 annual general meeting of the Company (the "AGM") after the last appointment and may be renewed subject to the shareholders' approval at such AGM. Under the articles of association of the Company (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. Also, under the code provisions of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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 DIVERSITY

The Board has adopted a board diversity policy (the "Policy") effective in August 2013.

VISION

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

POLICY STATEMENT

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

MEASURABLE OBJECTIVES

Selection of candidates will be based on a range of diversity perspectives, which will include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

MONITORING AND REPORTING

The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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 seven times during the year ended 30th September, 2016.

PRACTICES AND CONDUCT OF MEETINGS

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, risk management and internal control systems, and monitoring the performance of the senior management. The day-to-day management, administration and operations of the Company are delegated to the 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 Board committees meetings during the year ended 30th September, 2016 are set out in the table below:

	Number of meetings attended/held						
Directors	Board	Audit Committee	Remuneration Committee	Investment Advisory Committee	Nomination Committee	Disclosure Committee	Annual General Meeting
Executive directors							
YU Kam Shui, Erastus	7/7	–	–	1/1	–	1/1	1/1
TAM Chie Sang	7/7	–	–	–	–	–	1/1
YU Lai Chu, Eileen	7/7	–	–	–	–	–	1/1
LAI Yin Ping	7/7	–	–	–	–	–	1/1
Independent non-executive directors							
WONG Lung Tak, Patrick	7/7	2/2	1/1	1/1	1/1	1/1	1/1
WONG Chun Nam, Duffy	6/7	1/2	1/1	1/1	1/1	1/1	1/1
WONG Chi Keung	7/7	2/2	1/1	1/1	1/1	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, 2016, 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, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung received regular briefings, seminars, conference and/or updates relevant to the Group's business, operations, risk management, corporate governance, directors' duty and responsibilities, and other relevant topics. Materials on new or salient changes to laws and regulations applicable to the Group were provided to the directors. 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 that 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, namely Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung, and is chaired by Prof. Wong Lung Tak, Patrick, a qualified accountant with extensive experience in financial reporting and controls. The terms of reference of the Audit Committee were amended in September 2015 to reflect the additional responsibilities of the Audit Committee arising from the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods beginning on or after 1st January, 2016. It is responsible for appointment of external auditor, review of the Group's financial information and overseeing the Group's financial reporting system, risk management 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 respective 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, 2016, two meetings were held by the Audit Committee. At the meetings, it reviewed the annual results for 2015 and the interim results for 2016 respectively with the external auditor and also the activities of the Group's risk management and 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, namely Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung, and is chaired by Mr. Wong Chun Nam, Duffy.

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 also makes recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee meets at least once a 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 respective websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE (Continued)

During the year ended 30th September, 2016, 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, 2016 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	1
2,000,001 – 3,000,000	2
3,000,001 – 4,000,000	1
5,000,001 or above	1

Further particulars regarding directors and chief executive's 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 76 to 77 of this annual report.

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 of the Company, and is chaired by Dr. Wong Chi Keung.

The objectives of this Committee are to set guidelines on the portfolio mix of the Group's investments for the daily execution of investment decisions and monitoring of the investment portfolio. The Committee members meet and review the investment directions and the portfolio mix as well as evaluate the performance of the investment portfolio. Its terms of reference are available on the website of the Company.

During the year ended 30th September, 2016, one Investment Advisory Committee meeting was held.

NOMINATION COMMITTEE

To comply with the CG Code, a Nomination Committee was established on 22nd March, 2012 with its terms of reference revised on 7th August, 2013. The members of the Nomination Committee comprises all independent non-executive directors of the Company, namely Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy 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, diversity and composition (including the skills, knowledge and experience) of the Board at least annually, 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. Its terms of reference are available on the respective websites of the Stock Exchange and the Company.

During the year ended 30th September, 2016, one Nomination Committee meeting was held.

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 (the "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 of the Company, has been appointed as the chairman of the Disclosure Committee. Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and 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, 2016, one Disclosure Committee meeting was held.

INDEPENDENT AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been re-appointed as the independent auditor of the Company by the shareholders at the last AGM.

The remuneration paid or payable to the Group's independent auditor, Deloitte Touche Tohmatsu, and its affiliated firms, for services rendered for the year ended 30th September, 2016 is broken down below:

	2016 HK$'000
Statutory audit	**1,193**
Non-audit services	**506**
Total	**1,699**

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 consolidated financial statements for the year ended 30th September, 2016 are set out in the section "Independent Auditor's Report" on pages 43 to 44 of this annual report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements for each financial period with a view to ensuring such financial statements 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 financial statements 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 financial statements are prepared on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage the significant risks to 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 systems are 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 internal audit department monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The internal audit department reports directly to the Audit Committee and ensure the internal controls are in place and functioning properly as intended.

Also, the Board engaged Mark K. Lam & Co., to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 30th September, 2016. The assessment report was reviewed by the Audit Committee and the Board. No major issue was raised for improvement.

Besides establishment of the Disclosure Committee, the Company formulated the inside information policy. The Company regularly reminds the directors and employees about due compliance with all policies regarding the Inside Information. Also, the Company keeps directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

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 ended 30th September, 2016.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to the Inside Information.

COMPANY SECRETARY

All directors have access to the advice and services of the company secretary, Ms. Lee Pui Shan ("Ms. Lee"), a full time employee of the Company. Ms. Lee has confirmed that she had received no less than 15 hours of relevant professional training for the year ended 30th September, 2016, in compliance with Rule 3.29 of the Listing Rules.

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 CEO 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 ended 30th September, 2016.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the directors' information since the disclosure made in the Company's annual report 2015 is set out as follows:

– Dr. Wong Chi Keung resigned as the managing director of Y. T. Realty Group Limited, a company listed on the Stock Exchange, with effect from 29th February, 2016 and was appointed as a deputy chairman and an executive director of C C Land Holdings Limited, a company listed on the Stock Exchange, with effect from 1st March, 2016.

– Prof. Wong Lung Tak, Patrick was appointed as an independent non-executive director of Li Bao Ge Group Limited, a company listed on the Stock Exchange, with effect from 16th June, 2016 and resigned as an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., a company listed on the Stock Exchange, with effect from 3rd October, 2016.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the second ESG report by the Group, highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Hong Kong including the headquarter office, beauty and medical centres, and retail outlets from 1st October, 2015 to 30th September, 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at corporate@wateroasis.com.hk

WATER OASIS' SUSTAINABILITY MISSION AND VISION

MISSION

As a leading beauty service provider and beauty products retailer in Hong Kong, Water Oasis' mission is to provide supreme quality and innovative beauty services with unique personalised experiences to its customers. The Group aims to strengthen its strong position in Hong Kong with further expansion in Greater China, Asia and international markets. The Group strives to maintain a business with a culture of agility, speed and quality, as well as creating a stronger sense of belongings among employees. The corporate motto is to "Strengthen the Momentum: Transform and Innovate".

VISION ON ENVIRONMENT, SOCIAL, AND GOVERNANCE

Beauty services are gaining popularity in Hong Kong for both men and women as the beauty industry today encompasses far more than cosmetics and skin care products. Thus, a wider range of services and products are available to suit different customer needs, including services like facial treatment, body trimming and tanning, massage services, nail care, hair removal, sauna, steam bath, skincare products and more. The Group aims to become the beauty oasis for the people we serve (customers, employees, shareholders, stakeholders) and enables them to see and feel the beauty within them.

Our vision and aspiration are:

1. To be a pioneer and a leader in the industry with a portfolio of transformative and innovative beauty services and products for our customers;
2. To ensure that our business is sustainable and profitable providing healthy and long-term returns to our shareholders; and
3. To build a high-performance team with good business culture and robust engagement of internal and external stakeholders.

Our commitments are:

1. To do business in environmentally-friendly way to conserve resources;
2. To create a positive impact and contribute to our communities; and
3. To be an effective organization that enhances integrity and high operational standards.

A. ENVIRONMENTAL

Type of emissions the Group has involved in the reporting period was mainly electricity, gasoline, water, paper, medical waste and non-hazardous waste. The business does not involve in production-related air, water, and land pollutions which are regulated under national laws and regulations.

Total floor area coverage for the Group was 8,495.20 m^2 (2015: 8,791.40 m^2) and the Group accounts for 100% of emissions from its operations in Hong Kong.

GREENHOUSE GAS EMISSION

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e) 2016	2015*	Total Emission (in percentage) 2016	2015
Scope 1					
Direct Emission	Unleaded Petroleum consumed by Company Owned Fleet	35.30	39.47	1.83%	1.94%
Scope 2					
Indirect Emission	Purchased Electricity	1,324.30	1,263.11	68.64%	62.09%
Scope 3					
Other Indirect Emission	Paper Consumption	569.41	731.35	29.53%	35.97%
	Water Consumption	0.41	0.38		
Total		**1,929.42**	**2,034.31**		

*Note: Figures for 2015 has been adjusted due to greater coverage of businesses across the Group.

REMOVAL OF GREENHOUSE GAS EMISSIONS

	Unit	2016	2015*
Total Greenhouse Gas Emitted (a)	tCO_2e	1,929.42	2,034.31
Total Floor Area Coverage (b)	m^2	8,495.20	8,791.40
Emission Intensity (c) = (a)/(b)	tCO_2e/m^2	0.23	0.23
Removal by Office Paper Recycling (d)	tCO_2e	46.12	18.17
Total Removal by Recycling Practice (e)	tCO_2e	46.12	18.17
Final Total Greenhouse Gas Emitted (f) = (a) – (e)	tCO_2e	1,883.30	2,016.14
Annual emission intensity is reduced to (g) = (f)/(b)	tCO_2e/m^2	0.22	0.23

*Note: Figures for 2015 has been adjusted due to greater coverage of businesses across the Group.

There was 1,929.42 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.23 tCO_2e/m^2. The Group's additional effort in practising double confirmation for printing and the recycling of packaging boxes, contributed to a decreased total amount of 1,883.30 tonnes of carbon dioxide equivalent greenhouse gases, with a dropped annual emission intensity of 0.22 tCO_2e/m^2.

GASOLINE

A total of 21,023.00 litres of gasoline (2015: 23,503.00 litres) was used for motor vehicles in the reporting period, contributing to 35.30 tonnes of carbon dioxide equivalent (2015: 39.47 tonnes).

ELECTRICITY

The electricity consumption by the Group was 1,885,973 kWh (2015: 2,010,050 kWh), with an energy intensity of 222 kWh/m^2 slightly dropped from last year (2015: 229 kWh/m^2) despite positive business growth. The Group continues its commitment in installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency.

In additional, this year the Group participated in the "Charter on External Lighting". The charter was launched by the Environmental Bureau with a focus on raising awareness on light nuisance and energy wastage. The Group pledged to daily switch off our shop's video wall from 11 p.m. and front sign, advertising signboard and decorative light for facades from 12 midnight to 7 in the morning starting April 2016 at one of the Glycel retail outlets in Causeway Bay.

WATER

Water consumption by the Group was 697 m^3 (2015: 638 m^3), with water intensity of 0.72 m^3/m^2 (2015: 0.66 m^3/m^2). Same as last year, only some operation outlets with total floor area coverage of 969.20 m^2 were included in this section as most outlets' water usage has been counted in the management fee, thus their water usage data cannot be obtained. Nevertheless, the Group actively promotes water efficient practices such as installing solenoid valves in all spa services outlets, which reduces water wastage caused by human error and unintentional switching mistake.

NON-HAZARDOUS WASTE

Non-hazardous waste from the Group's operation includes packaging materials, paper for office use and sales and marketing purposes.

Packaging materials such as plastic bottles and carton containers used after beauty and body treatments for brands like Glycel, DermaSynergy and Eurobeauté were disposed to landfills. A total amount of 11.55 tonnes was recorded (2015: 12.53 tonnes), in which 4.95 tonnes (2015: 6.73 tonnes) were packaging boxes and 6.60 tonnes (2015: 5.80 tonnes) were plastic bottles.

PAPER

The Group continues to practice paper saving initiatives, such as default double-sided printing, reminder for staff to have environmentally friendly photocopying habit, and separated collection of waste paper for effective recycling. Last year the Group started enforcing double password confirmation for printing, which further reduced printing mistakes and thus less paper usage and wastage. A total of 128.29 tonnes of paper (2015: 149.42 tonnes) has been used for daily office operations and advertising materials such as leaflet, catalogue, sales kit, in which 9.61 tonnes of waste paper (2015: 3.79 tonnes) has been collected by licensed recycling company.

MEDICAL WASTE

Medical wastes such as syringes and swabs from medical related beauty treatment are not classified as clinical waste under the Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong, but they are properly collected by licensed contractor for thermal incineration. There was a total of 0.16 tonnes of medical waste (2015: 0.20 tonnes – *figure has been adjusted due to greater coverage of businesses across the Group*).

B. SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group had a total number of 691 employees as of 30th September, 2016 (2015: 721), in which 98% was working as full time staff and 2% was part time, the ratio remains the same as last reporting period.

Employee's Age Distribution

	18-25	26-35	36-45	46-55	56 and above
2016	14%	40%	28%	10%	8%
2015	16%	42%	27%	8%	7%

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talents. Salaries are reviewed and adjusted on a yearly basis based on performance appraisals and the market trend. Employees are entitled to year-end bonus, mandatory provident fund, medical insurance, various types of paid leave in addition to annual leave and sick leave (maternity, paternity, compassionate, marriage and birthday), allowance for education and transportation, staff discount for company's products and beauty services and birthday presents.

The Group regularly reviews employee handbook which outlines the Group's key messages, policies, procedures, promotion channel, compensation and benefits, occupational health and safety, complaint and whistleblowing channels.

Annual Turnover Rate

	18-25	26-35	36-45	46-55	56 and above
2016	12%	25%	12%	3%	3%
2015	5%	10%	4%	1%	0%

Due to the industry business nature, recruitment and staff retention has continued to be a challenge in the reporting period. The Group commits to ensure safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnical backgrounds. With the aging population being a long-term demographic trend in Hong Kong, the Group has a sustainable workforce in this perspective.

Employee Health and Safety

The Group regularly reviews the employees' health and safety procedure to safeguard employees' well-being. Briefing, training, news and tips are provided to employee to raise their awareness and to refresh their knowledge and practices on using treatment related equipment and solvents.

Occupational Health and Safety Data

	2016	2015
Work related fatality	0	0
Work injury cases >3 days	7	5
Work injury cases <3 days	1	4
Lost days due to work injury	68	184.5

The total days lost due to work injury has decreased significantly from 184.5 to 68 lost days in this reporting period. The management will continue their effort in strengthening the Group's occupational health and safety performance.

Development and Training

Comprehensive professional training are provided to employees to deliver top services to our customers. All newly hired employees are required by policy to attend Employee Orientation to familiarize with the Group's purpose, vision and aspiration, mission, core values, business goals and overview and how employee plays a vital role in the business.

To enhance our frontline talents, specified orientation and internal training have also been provided according to their respective brands, job areas and employment level. Training's topics range from knowledge of brands and products, equipment procedure and refreshing courses, to interpersonal and management skills were included in a year-long program. A total of 6,321 hours training courses were conducted in the reporting period.

	2016	2015
Total Number of Employee	691	721
Total Training Hours	6,321	7,326

Employment Communication

The Group actively engages and motivates employees through various communication channels. The internal newsletter "奧思匯聚" (published three times a year) and regular update on website keeps employee updated on staff promotion, internal staff award and recognitions in all brands, corporate news and activities. The Group also organized annual dinner, Christmas party, festival-related celebration, sport and volunteer works, etc. to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. The Group believes having better transparent governance and investing efforts and hours on our best asset, employees, is the key to success of a sustainable business.

Labour Standard

No child nor forced labour in the Group's operations in the reporting period. It is in compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management.

The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human Resource Department to ensure information's accuracy. This also allows the Group to hire suitable candidate in accordance with the job requirements and candidates' expectations.

Equal Opportunity

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of Water Oasis, and employs employees in a wide range of ages, genders, and ethnicities.

OPERATING PRACTICES

Supply Chain Management

A strict tendering process is also in place to provide a fair and transparent platform for securing the best supplier for procurement of all equipment, products and services. The request for tender is included in the annual budgeting process and prepared by responsible departments which abide by the Group's code of conduct (the "Code of Conduct").

Product

To provide top quality services to customers, the Group carefully sourced its beauty products and equipment with standardized procurement procedure and policies. The Group's procurement policy and its comprehensive procurement management systems help screening out undesirable products in the aspects of raw materials and ingredients selection, product formulation, product packaging, quality management system in factories, transportation, etc.

Supplier

Suppliers for products, packaging, treatment materials range from France, Switzerland, Spain, Germany, Italy, Monaco, Japan, Korea, Malaysia, Taiwan, PRC and Hong Kong. They are selected based upon rational and clear criteria, such as production process, quality management system, regulatory requirement compliance, operating capacity, sample availability for testing, packaging, management's commitment, training policy and procedure, price, delivery assurance, and product recall policy, so as to procure superior goods and services from the most competitive sources. Additional information such as observation results after suppliers' production plant visits is used to evaluate the suppliers in order to have the best selected providers. The Group also monitors the overall performance of selected suppliers by conducting vendor audits with documented reports to substantiate the selection and on-going cooperation.

Product Responsibility

Product Recall Policy

The Group maintains a good record of zero product recall since the start of business, nevertheless the Group continues its commitment to consumer safety and protection by having product recall procedures and policy in place.

Consumer Data Protection and Privacy Policy

The Group's Information Technology Department has devised a comprehensive data protection policy to provide adequate protection and confidentiality of all corporate data and proprietary information. To comply with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and to protect the rights of employees, customers, and business partners, access control protocol is clearly defined to limiting the access to a system or to physical or virtual resources. The Group employs a comprehensive enterprise resources planning system for its finance-related operations to ensure privacy and maintain information confidentiality. The Group strictly abides with the regulation in the collection, usage, handling, and storage of data to ensure data integrity and safety. Besides, the data protection policy clearly states the responsibility of different employees in their job duties for data protection to minimise risks.

Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Group's policy to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct states clearly that:

– All directors and employees should avoid conflicts of personal interest and their professional duties;

– A situation in which employees exercise authority, influence decisions and actions or gain access to company assets and information through their employment in the Group to achieve private and personal gain is strictly prohibited.

– Employees is required to declare any conflict of interest by completing the required form as instructed by the Group's Human Resource Department.

– Neither directors nor employees shall obtain or provide benefits to customers, contractors, suppliers, or people with business relationship with the Group

– Accepting voluntary gifts must be declared and have undergone the approval process as administered by the Group's Human Resource Department.

COMMUNITY

Community Investment

Caring Employer Grand Award

This year marked our continuous effort on tackling the unemployment issue of the grassroots and under-privileged in the society. The Group proudly received "Caring Employer Grand Award" on 7th June, 2016 on the award presentation ceremony attended by guest of honour Mr Matthew Cheung Kin-chung, GBS, JP, Secretary for Labour and Welfare. The Group has been working closely with New Territories Association Retraining Centre as our staff engaged in conducting numerous seminars and teaching beautician trainees on basic knowledge and skills, culture and sector specific requirements in the beauty industry, as well as on-the-job training experience on quality customer services. Trainees often joined our workforce as permanent staff by the end of their training.

Charity Sales Donation with World Vision

To celebrate Glycel's 30th anniversary, the Group launched a charity sales campaign of new product of Hydro Firm Skin Perfection Cream through various activities to support Vision Fund, established by World Vision, a microfinancing aid empowering the poor in developing countries to establish and to expand their small, self-sustaining businesses. The Group successfully donated a total amount of HK$20,943 with every product sold at all Glycel outlets between September and December 2015.

FUTURE DIRECTIONS FROM THE GROUP

The Group will continue actively sourcing energy-saving appliances, equipment and materials with careful selection and review of suppliers and their origins. Opportunities to work with other charity partners and more training and development in terms of raising staff's awareness on environmental and social impacts from the business will also be considered.

The Group also recognizes the trend and possibilities with applying digital technologies in daily office operations and marketing strategy, therefore resource use and promotional tools in the coming year will be adapted to make the businesses more transformative, sustainable, as well as having greater capability to attractive future talents.

Directors' Report

The directors of the Company present the Directors' Report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30th September, 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the distribution of H2O+ brand skincare products in Hong Kong and Macau and the distribution of Erno Laszlo brand skincare products in Hong Kong. In addition, some of its principal subsidiaries own and are engaged in the distribution of Glycel brand skincare products in Hong Kong and Macau. Certain of its principal subsidiaries also are engaged in the operation of spa and beauty centres in Hong Kong under the brand names "Oasis Spa", "Oasis 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.

Details of the Company's principal subsidiaries at 30th September, 2016 are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

The business review of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the CEO's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, and Five-Year Financial Summary set out on pages 4 to 5, 6 to 12, 26 to 32 and 97 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules, the SFO, the Model Code, the Employment Ordinance, the Trade Descriptions Ordinance, the Competition Ordinance, Personal Data (Privacy) Ordinance, the Prevention of Bribery Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Landlord and Tenant (Consolidation) Ordinance, and all the relevant laws and regulations.

The Board has not identified any important events affecting the Group that have occurred since the end of the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2016 are set out in the consolidated statement of profit or loss on page 45.

The directors have recommended a final dividend of 2.0 HK cents per share for the year ended 30th September, 2016 payable to shareholders whose names appear on the register of members of the Company at the close of business on 24th February, 2017. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on 10th March, 2017.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2016 are set out in note 28 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 49.

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2016 were 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 97.

DIRECTORS AND DIRECTORS' SERVICES AGREEMENTS

The directors of the Company who held office during the year and up to the date of this annual 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, B.B.S., J.P.
WONG Chi Keung

In accordance with Articles 87(1) and (2) of the Articles of Association and the code provision A.4.2 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.

Pursuant to the code provision A.4.3 of the CG Code, Dr. Wong Chi Keung has served as the independent non-executive directors of the Company for more than 9 years and his re-election at the forthcoming AGM will be subject to a separate resolution to be approved by the shareholders.

The Company considers that Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung are independent pursuant to the criteria set out in the Listing Rules and that written annual 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 Articles of Association and the code provision of CG Code.

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. Each of the independent non-executive directors has entered into an appointment letter with the Company with a specific term.

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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2016, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company 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 SFO), which were required (i) 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 (ii) pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) 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 AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

			Number and class of shares and underlying shares				
Name of directors and chief executive	Name of companies in which interests are held	Capacity in which interests are held	Personal interests	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	1.05%
Tam Chie Sang	The Company	Interest of spouse	–	161,293,760 ordinary(2)	–	161,293,760 ordinary	21.11%
	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 controlled corporations	5,960,000 ordinary(2)	–	155,333,760 ordinary(2)	161,293,760 ordinary	21.11%
	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	1.05%
Wong Chun Nam, Duffy	The Company	Beneficial owner	600,000 ordinary	–	–	600,000 ordinary	0.08%
Wong Man Lai, Stevie(5)	The Company	Beneficial owner	1,874,000 ordinary	–	–	1,874,000 ordinary	0.25%
	The Company	Beneficial owner	5,000,000 underlying shares(6)	–	–	5,000,000 underlying shares	0.65%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

LONG POSITION IN THE SHARES AND UNDERLYING 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) 5,960,000 shares are registered in the name of Ms. Yu Lai Chu, Eileen, the wife of Mr. Tam Chie Sang and 155,333,760 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 75% owned by Ms. Yu Lai Chu, Eileen and 25% owned by her husband, Mr. Tam Chie Sang; both are executive 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.

(5) Ms. Wong Man Lai, Stevie is the CEO of the Company.

(6) These represent the shares to be issued and alloted by the Company upon the exercise of the share options granted under the share option scheme (as defined in the section headed "Share Options" of this report).

As at 30th September, 2016, save as disclosed above, none of the directors, chief executive or any of their close associates had any interests and 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 by the Company 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 29 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.

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 ended 30th September, 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2016, the following persons and corporations, other than a director or the chief executive of the Company as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", had an interest and short position in the shares and 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/which were, directly or indirectly, with 5% interest or more of the issued share capital of the Company:

LONG POSITION IN THE SHARES AND UNDERLYING SHARES

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of voting power
Yu Lai Si[(1)]	Beneficial owner	166,113,760	21.74%
Zinna Group Limited[(2)]	Registered owner	155,333,760	20.33%
Advance Favour Holdings Limited[(3)]	Registered owner	77,666,880	10.17%
Billion Well Holdings Limited[(4)]	Registered owner	77,666,880	10.17%
Lai Yin Ling[(3) & (4)]	Interest of controlled corporations	155,333,760	20.33%

Notes:

(1) Ms. Yu Lai Si is the sister of Mr. Yu Kam Shui, Erastus and Ms. Yu Lai Chu, Eileen, both being the executive directors of the Company.

(2) 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 75% owned by Ms. Yu Lai Chu, Eileen and 25% owned by her husband, Mr. Tam Chie Sang; both are executive directors of the Company.

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

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

Save as disclosed above and so far as the directors and the chief executive of the Company were aware of, as at 30th September, 2016, no other person or corporation (other than the directors and the chief executive of the Company) had any interests and short positions in the shares and underlying shares of the Company which would, pursuant to section 336 of the SFO, were required to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or 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 ended 30th September, 2016.

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 ended 30th September, 2016 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30th September, 2016.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2016, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 50.4% and 29.7% of the Group's total purchase respectively, 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 times during the year ended 30th September, 2016, none of the directors, their close 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, 2016, the distributable reserves of the Company amounted to approximately HK$27.2 million (2015: HK$46.3 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, 2016 amounted to approximately HK$300.5 million (2015: HK$260.0 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2016, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$286.1 million (2015: HK$284.8 million), was approximately 7.9% (2015: 9.0%). Details of the secured mortgage loan are set out in note 27 to the consolidated financial statements.

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.

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 30th September, 2016.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2016, the Group employed 741 staff (2015: 784 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

The Company did not redeem any of the listed securities of the Company nor did the Company or its subsidiaries purchase or sell any such securities during the year ended 30th September, 2016.

Other than the share option schemes of the Company as disclosed above, neither the Company nor its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any rights in relation to convertible securities, options, warrants or similar rights during the year ended 30th September, 2016.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and officers arising out of corporate activities. The level of the coverage is reviewed annually. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the Directors' Report prepared by the directors of the Company is approved in accordance with section 391(1)(a) of the Companies Ordinance.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at year ended 30th September, 2016.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares of the Company. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult an expert.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the 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 year ended 30th September, 2016, the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy 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, 2016 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of this report.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past 3 years. 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. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

On Behalf of the Board

YU Kam Shui, Erastus
Executive Director

Hong Kong, 15th December, 2016

Independent Auditor's Report

Deloitte. 德勤

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 45 to 96, which comprise the consolidated statement of financial position as at 30th September, 2016, 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 financial position of the Group as at 30th September, 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 15th December, 2016

Consolidated Statement of Profit or Loss

	Notes	2016 HK$'000	2015 HK$'000
		FOR THE YEAR ENDED 30TH SEPTEMBER,	
Turnover	8	**626,823**	691,681
Purchases and changes in inventories of finished goods		**(57,088)**	(63,054)
Other income		**6,927**	6,305
Other gains or losses	9	**(1,826)**	1,179
Staff costs	15	**(286,367)**	(298,288)
Depreciation of property and equipment		**(19,815)**	(23,903)
Finance costs	10	**(520)**	(583)
Other expenses		**(227,198)**	(244,805)
Profit before taxation		**40,936**	68,532
Taxation	11	**(11,936)**	(16,043)
Profit for the year	12	**29,000**	52,489
Profit (loss) for the year attributable to:			
Owners of the Company		**29,063**	50,563
Non-controlling interests		**(63)**	1,926
		29,000	52,489
Earnings per share			
Basic and diluted	13	**3.8 HK cents**	6.6 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2016	2015
	HK$'000	HK$'000
Profit for the year	**29,000**	52,489
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(805)**	(528)
Reclassification adjustment of other comprehensive (expense) income upon strike off of a subsidiary	**(233)**	95
Total comprehensive income for the year	**27,962**	52,056
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**28,019**	50,166
Non-controlling interests	**(57)**	1,890
	27,962	52,056

Consolidated Statement of Financial Position

AS AT 30TH SEPTEMBER,

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets	17	**59,144**	59,130
Goodwill	18	**3,012**	3,012
Investment properties	19	**229,549**	230,874
Property and equipment	20	**32,903**	38,074
Rental deposits	21	**28,727**	33,639
Deferred tax assets	31	**3,871**	3,798
		357,206	368,527
Current assets			
Inventories	22	**32,364**	33,096
Trade receivables	23	**24,011**	27,185
Prepayments		**61,235**	53,491
Tax recoverable		**5**	–
Other deposits and receivables		**13,151**	8,492
Bank balances and cash	24	**300,544**	260,030
		431,310	382,294
Current liabilities			
Trade payables	25	**5,124**	2,167
Accruals and other payables		**70,713**	78,782
Receipts in advance	26	**380,087**	327,883
Secured mortgage loan – due within one year	27	**3,058**	2,993
Tax payable		**12,258**	20,168
		471,240	431,993
Net current liabilities		**(39,930)**	(49,699)
Total assets less current liabilities		**317,276**	318,828

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	28	**76,395**	76,395
Reserves		**202,562**	201,188
Equity attributable to owners of the Company		**278,957**	277,583
Non-controlling interests		**7,153**	7,210
Total equity		**286,110**	284,793
Non-current liabilities			
Secured mortgage loan – due after one year	27	**19,500**	22,558
Deferred tax liabilities	31	**11,666**	11,477
		31,166	34,035
		317,276	318,828

The consolidated financial statements on pages 45 to 96 were approved and authorised for issue by the Board of Directors on 15th December, 2016 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$'000	Capital reserve[a] HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve[b] HK$'000	Share options reserve HK$'000	Other reserve[c] HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st October, 2014	76,395	38,879	24,233	(1,766)	450	1,797	–	–	156,773	296,761	5,983	302,744
Profit for the year	–	–	–	–	–	–	–	–	50,563	50,563	1,926	52,489
Exchange differences arising on translation of foreign operations	–	–	(542)	–	–	–	–	–	–	(542)	14	(528)
Reclassification adjustment of other comprehensive income upon strike off of a subsidiary	–	–	145	–	–	–	–	–	–	145	(50)	95
Total comprehensive income for the year	–	–	(397)	–	–	–	–	–	50,563	50,166	1,890	52,056
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	–	–	(589)	–	(589)	(663)	(1,252)
2014 final dividend paid	–	–	–	–	–	–	–	–	(38,197)	(38,197)	–	(38,197)
2015 interim dividend paid	–	–	–	–	–	–	–	–	(30,558)	(30,558)	–	(30,558)
	–	–	–	–	–	–	–	(589)	(68,755)	(69,344)	(663)	(70,007)
At 30th September, 2015	76,395	38,879	23,836	(1,766)	450	1,797	–	(589)	138,581	277,583	7,210	284,793
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,063**	**29,063**	**(63)**	**29,000**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(811)**	**–**	**–**	**–**	**–**	**–**	**–**	**(811)**	**6**	**(805)**
Reclassification adjustment of other comprehensive expense upon strike off of a subsidiary	**–**	**–**	**(233)**	**–**	**–**	**–**	**–**	**–**	**–**	**(233)**	**–**	**(233)**
Total comprehensive income (expense) for the year	**–**	**–**	**(1,044)**	**–**	**–**	**–**	**–**	**–**	**29,063**	**28,019**	**(57)**	**27,962**
2015 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,099)**	**(19,099)**	**–**	**(19,099)**
2016 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,640)**	**(7,640)**	**–**	**(7,640)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**94**	**–**	**–**	**94**	**–**	**94**
	–	**–**	**–**	**–**	**–**	**–**	**94**	**–**	**(26,739)**	**(26,645)**	**–**	**(26,645)**
At 30th September, 2016	**76,395**	**38,879**	**22,792**	**(1,766)**	**450**	**1,797**	**94**	**(589)**	**140,905**	**278,957**	**7,153**	**286,110**

(a) 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.

(b) 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 PRC.

(c) During the year ended 30th September, 2015, the Group acquired an additional 25% equity interests of a non-wholly owned subsidiary 上海奧薇化妝品商貿有限公司(“奧薇”). 奧薇 became a wholly-owned subsidiary of the Group after this acquisition. The difference between the consideration paid and the carrying value of the interest acquired amounting to HK$589,000 was charged to other reserve.

Consolidated Statement of Cash Flows

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before taxation	40,936	68,532
Adjustments for:		
Allowance for doubtful debts	–	274
Amortisation of intangible assets	205	259
Depreciation of property and equipment	19,815	23,903
Loss (gain) on fair value change of investment properties	1,325	(1,396)
Interest expenses on secured mortgage loan	520	583
Interest income on bank deposits	(1,264)	(1,365)
Net loss on disposal/write-off of property and equipment	730	108
Equity-settled share-based payment expenses	94	–
(Gain) loss on strike off of a subsidiary	(233)	95
Write-off of inventories	951	–
Operating cash flows before movements in working capital	63,079	90,993
(Increase) decrease in inventories	(245)	1,047
Decrease (increase) in trade receivables	3,174	(1,831)
Increase in rental deposits, prepayments, other deposits and receivables	(7,513)	(898)
Increase (decrease) in trade payables	2,957	(6,234)
Decrease in accruals and other payables	(8,110)	(941)
Increase in receipts in advance	52,882	40,811
Cash generated from operations	106,224	122,947
Hong Kong Profits Tax paid	(19,208)	(9,613)
Hong Kong Profits Tax refunded	1,053	–
The PRC Enterprise Income Tax paid	(1,543)	–
Net cash from operating activities	86,526	113,334

Consolidated Statement of Cash Flows
(Continued)

	For the year ended 30th September, 2016 HK$'000	2015 HK$'000
Investing activities		
Purchase of property and equipment	**(15,575)**	(24,110)
Additions in intangible assets	**(223)**	–
Interest received on bank deposits	**1,136**	1,365
Proceeds on disposal of property and equipment	**185**	489
Net cash used in investing activities	**(14,477)**	(22,256)
Financing activities		
Dividends paid	**(26,739)**	(68,755)
Repayment of secured mortgage loan	**(2,993)**	(2,930)
Interest paid on secured mortgage loan	**(520)**	(583)
Acquisition of additional equity interest in a subsidiary	**–**	(1,252)
Cash used in financing activities	**(30,252)**	(73,520)
Net increase in cash and cash equivalents	**41,797**	17,558
Cash and cash equivalents at beginning of the year	**260,030**	243,367
Effect of foreign exchange rate changes	**(1,283)**	(895)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**300,544**	260,030

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 of this annual report. Its issued shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11th March, 2002.

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution of skincare products in Hong Kong, Macau and the PRC and the operation of beauty salons, spa and medical beauty centres in Hong Kong and the PRC during the year.

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, 2016, 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 adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30th September, 2015.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 9 (as revised in 2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1st January, 2018.

[2] Effective for annual periods beginning on or after 1st January, 2016.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1st January, 2019.

[5] Effective for annual periods beginning on or after 1st January, 2017.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact of application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs an assessment.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liabilities, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases (Continued)

The directors of the Company will assess the impact of application of HKFRS 16 and it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease libilities. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs an assessment.

The Company has not yet applied the new and revised HKFRSs that have been issued but are not yet effective. Other than the above, the directors of the Company anticipate that the application of new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 when the Company:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstance indicate that there are changes to one or more of the three elements of control listed above.

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 into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Change in the Group's ownership interest in an existing subsidiary

Change in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary is accounted for as an equity transaction. 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 subsidiary. 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.

Allocation of total comprehensive income to non-controlling interests

Profit or loss and each item of other comprehensive (expense) income are attributed to the owners of the Company and to the non-controlling interests when necessary. Total comprehensive income and expenses of subsidiaries 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less 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 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 recognised 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 on 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 (expense) income and accumulated in equity under the heading of exchange reserve.

Investment Properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in 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 profit or loss in the period in which the property is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 licences 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 licences is provided on a straight-line method over the licence period.

Intangible assets acquired in a business combination

Trademarks acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

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 on 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on Tangible and Intangible Assets other than Goodwill

(For impairment 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 (if any). 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 immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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 measured at amortised cost using the effective interest method, less any impairment (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 a 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised 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.

Financial liabilities

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.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 of income or expense that are taxable or deductible in other years and 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, 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. The amount recognised as a provision is 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 received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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 result 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as expenses 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 expenses 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 experiences 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 (including goodwill and intangible 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.

Fair Value of Investment Properties

Investment properties were carried at its fair value in the consolidated statement of financial position for both years. Details of which are disclosed in note 19. The fair value of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of the properties included in the consolidated statement of financial position.

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 balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt as disclosed in note 27 and equity attributable to owners of the Company, comprising share capital, share premium, reserves and retained profits as disclosed in the consolidated financial statements.

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 the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**325,746**	287,910
Financial liabilities		
Amortised cost	**35,144**	36,348

(b) Financial Risk Management Objectives and Policies

The Group's financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables and secured mortgage loan. 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.

7. FINANCIAL INSTRUMENTS (Continued)

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

(i) Credit Risk

As at 30th September, 2016, 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 99% (2015: 99%) of the total trade receivables as at 30th September, 2016.

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

(ii) Market Risks

Currency Risk

The functional currency of the Company's principal subsidiaries is either HK$ or Renminbi. 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 currency other than the functional currency of the relevant group entities are as follows:

	2016 HK$'000	2015 HK$'000
Assets		
United States Dollar ("US$")	**14,052**	32,708
Liabilities		
US$	**2,066**	213

No sensitivity analysis is performed since HK$ is pegged to US$, relevant foreign currency risk is minimal.

7. FINANCIAL INSTRUMENTS (Continued)

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

(ii) *Market Risks* (Continued)

Interest Rate Risk

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 27, 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 27.

Sensitivity analysis

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

	2016 HK$'000	2015 HK$'000
Financial assets	**26,886**	23,566
Financial liabilities	**22,558**	25,551

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, 2016 would decrease by HK$94,000 (2015: HK$107,000) 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 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.

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, 2015 and 30th September, 2016, 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 or 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 amounts as at 30th September, 2016 HK$'000
2016								
Trade payables	–	4,622	502	–	–	–	5,124	5,124
Other payables	–	7,462	–	–	–	–	7,462	7,462
Secured mortgage loan	2.15	293	585	2,635	14,052	6,733	24,298	22,558
		12,377	1,087	2,635	14,052	6,733	36,884	35,144

	Weighted average interest rate %	On demand or 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 amounts as at 30th September, 2015 HK$'000
2015								
Trade payables	–	2,167	–	–	–	–	2,167	2,167
Other payables	–	8,630	–	–	–	–	8,630	8,630
Secured mortgage loan	2.15	293	585	2,635	14,052	10,246	27,811	25,551
		11,090	585	2,635	14,052	10,246	38,608	36,348

7. FINANCIAL INSTRUMENTS (Continued)

(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 Company's executive directors, being the chief operating decision makers, 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:

	2016 HK$'000	2015 HK$'000
Turnover		
Retail segment	**154,161**	182,153
Services segment	**472,662**	509,528
	626,823	691,681

The Company'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 Company's executive directors do not review such information for the purposes of resources allocation and performance assessment. Therefore, only segment turnover and segment results are presented.

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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Sales to external customers	154,161	182,153	472,662	509,528	–	–	626,823	691,681
Inter-segment sales	24,884	57,902	–	–	(24,884)	(57,902)	–	–
Total	179,045	240,055	472,662	509,528	(24,884)	(57,902)	626,823	691,681
Segment results	31,607	26,467	75,894	100,684	–	–	107,501	127,151
Other income							6,927	6,305
Other gains or losses							(1,826)	1,179
Finance costs							(520)	(583)
Central administrative costs							(71,146)	(65,520)
Profit before taxation							40,936	68,532

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, 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 resources 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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	4,278	6,101	15,537	17,802	19,815	23,903
Allowance for doubtful debts	–	274	–	–	–	274
Amortisation of intangible assets	205	259	–	–	205	259
Write-off of inventories	951	–	–	–	951	–

8. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong, Macau and the PRC. The 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	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Hong Kong and Macau	**605,671**	673,132	**289,878**	301,196
The PRC	**21,152**	18,549	**1,549**	1,625
	626,823	691,681	**291,427**	302,821

Information about major customers

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

9. OTHER GAINS OR LOSSES

	2016 HK$'000	2015 HK$'000
(Loss) gain on fair value change of investment properties	**(1,325)**	1,396
Net loss on disposal/write-off of property and equipment	**(730)**	(108)
Net exchange loss	**(4)**	(14)
Gain (loss) on strike off of a subsidiary	**233**	(95)
	(1,826)	1,179

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on secured mortgage loan	**520**	583

11. TAXATION

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax	**8,901**	14,877
The PRC Enterprise Income Tax ("EIT")	**2,118**	–
Under (over) provision in prior years	**775**	(866)
	11,794	14,011
Deferred taxation (note 31)	**142**	2,032
	11,936	16,043

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

The PRC EIT was calculated at the statutory income tax rate of 25% (2015: 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 31.

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:

	2016 HK$'000	2015 HK$'000
Profit before taxation	**40,936**	68,532
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**6,754**	11,308
Effect of different tax rates applied in other jurisdictions	**662**	397
Tax effect of income not taxable for tax purpose	**(205)**	(3,028)
Tax effect of expenses not deductible for tax purpose	**2,197**	6,980
Utilisation of tax losses previously not recognised	**(1,610)**	(3,543)
Tax effect of tax losses not recognised	**2,972**	3,157
Under (over) provision in prior years	**775**	(866)
Tax effect of withholding tax arising from undistributed profits of subsidiaries	**382**	157
Others	**9**	1,481
Taxation for the year	**11,936**	16,043

12. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,193**	1,168
Amortisation of intangible assets	**205**	259
Allowance for doubtful debts	**–**	274
Write-off of inventories	**951**	–
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**111,623**	124,210
– contingent rents	**3,867**	3,331
and after crediting:		
Interest income on bank deposits	**1,264**	1,365
Rental income from investment properties	**5,296**	4,437

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:

	2016 HK$'000	2015 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**29,063**	50,563

	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**763,952,764**	763,952,764

Diluted earnings per share for the year ended 30th September, 2015 was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during that year.

For the year ended 30th September, 2016, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of these options was higher than the average market price of shares from the date of grant of share options to the end of the reporting period and hence the share options were not dilutive.

14. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend declared and paid of 1.0 HK cent (2015: 4.0 HK cents) per share	**7,640**	30,558
Final dividend proposed after the end of the reporting period of 2.0 HK cents (2015: 2.5 HK cents) per share	**15,279**	19,099
	22,919	49,657

The 2016 final dividend of 2.0 HK cents (2015: 2.5 HK cents) per share, amounting to approximately HK$15,279,000 (2015: HK$19,099,000), 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, 2016 were approximately HK$26,739,000 (2015: HK$68,755,000).

15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK$'000	2015 HK$'000
Wages, salaries, bonuses and allowances	**276,346**	287,580
Equity-settled share-based payment expenses	**94**	–
Pension costs – defined contribution plans	**10,290**	10,526
Unutilised annual leave	**(363)**	182
	286,367	298,288

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and Chief Executive's Emoluments

Name of directors and Chief Executive	Fees	Basic salaries	Bonuses	Retirement benefit costs	Equity-settled share-based payment expenses	2016 Total emoluments	2015 Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Yu Kam Shui, Erastus(4)(6)	–	897	1,120	–	–	**2,017**	1,735
Tam Chie Sang	–	897	921	18	–	**1,836**	1,641
Yu Lai Chu, Eileen	–	897	1,120	18	–	**2,035**	1,641
Lai Yin Ping	–	897	921	18	–	**1,836**	1,641
Wong Lung Tak, Patrick(1)(2)(3)(4)(5)(6)	200	–	–	–	–	**200**	200
Wong Chun Nam, Duffy(1)(2)(3)(4)(5)(6)	200	–	–	–	–	**200**	200
Wong Chi Keung(1)(2)(3)(4)(5)(6)	200	–	–	–	–	**200**	200
Wong Man Lai, Stevie(7)	–	4,993	2,721	18	94	**7,826**	5,118
Total for the year 2016	600	8,581	6,803	72	94	**16,150**	
Total for the year 2015	600	8,588	3,104	84	–		12,376

(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) The Chief Executive Officer

Details of the Company's share option scheme are disclosed in note 29.

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

(b) Five Highest Paid Individuals

Of the five individuals with the highest emoluments in the Group, none (2015: none) was a director of the Company. Emoluments payable to the five (2015: five) individuals during the year were as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries and other allowances	**19,492**	19,247
Bonuses	**3,587**	250
Equity-settled share-based payment expenses	**94**	–
Retirement benefit costs	**90**	90
	23,263	19,587

Their emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$3,000,001 – HK$3,500,000	**1**	2
HK$3,500,001 – HK$4,000,000	**2**	2
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 or above	**1**	1
	5	5

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

	Licence fees	Trademarks	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1st October, 2014, 30th September, 2015 and 1st October, 2015	1,036	58,896	59,932
Additions	**223**	**–**	**223**
Exchange realignment	**(4)**	**–**	**(4)**
At 30th September, 2016	**1,255**	**58,896**	**60,151**
ACCUMULATED AMORTISATION			
At 1st October, 2014	543	–	543
Charged for the year	259	–	259
At 30th September, 2015	802	–	802
Charged for the year	**205**	**–**	**205**
At 30th September, 2016	**1,007**	**–**	**1,007**
CARRYING VALUE			
At 30th September, 2016	**248**	**58,896**	**59,144**
At 30th September, 2015	234	58,896	59,130

Expenditure on acquiring licences for sale of products is capitalised. The Group's licence fees have definite useful lives and are amortised over respective licence 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 the 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 the management, the trademarks have no impairment for both years.

18. GOODWILL

	HK$'000
COST AND CARRYING VALUE	
At 1st October, 2014, 30th September, 2015 and 30th September, 2016	3,012

The goodwill of HK$3,012,000 is attributable to the cash-generating unit ("CGU") of a brand of product and service line acquired during the year ended 30th September, 2010.

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

The CGU 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, 2016 and 2015, the recoverable amount of the CGU was determined based on a value in use calculation. That calculation uses discounted cash flows projections based on financial forecast approved by the management in the coming 5 years and a discount rate of 16% (2015: 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's past performance and management's expectations for the market developments. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU, which includes goodwill and trademarks, to fall below its carrying amount.

For the year ended 30th September, 2016 and 2015, the management of the Group has determined that there are no impairment required to be recognised for its CGU containing goodwill or trademarks with indefinite useful lives.

19. INVESTMENT PROPERTIES

	2016 **HK$'000**	2015 HK$'000
FAIR VALUE		
At the beginning of the year	**230,874**	229,478
(Decrease) increase in fair value recognised in the consolidated statement of profit or loss	**(1,325)**	1,396
At the end of the year	**229,549**	230,874

19. INVESTMENT PROPERTIES (Continued)

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

	2016 HK$'000	2015 HK$'000
In Hong Kong	**229,549**	230,874

The fair value of the Group's investment properties at G/F, 1-5/F, 18 Cochrane Street, Central, Hong Kong as at 30th September, 2016 and 2015 has been arrived at on the basis of a valuation carried out on that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent valuer 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.

The fair value is determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from similar commercial properties in Hong Kong. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Following are the key inputs used in valuing the investment properties as at 30th September, 2016 and 2015:

Category	Fair value hierarchy	Fair value at 2016 HK$'000	Fair value at 2015 HK$'000	Valuation technique	Key unobservable input	Range or weighted average of unobservable input 2016	Range or weighted average of unobservable input 2015	Relationship of unobservable input to fair value
Commercial properties	Level 3	**229,549**	230,874	Income approach	Reversionary yield (derived from monthly market rent)	**3.0-4.0%**	3.0-5.0%	The higher the reversionary yield, the lower the fair value

There were no transfers into or out of Level 3 during the year.

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, 2014	111,646	3,731	12,340	54,048	10,062	191,827
Additions	10,953	1,663	476	10,742	276	24,110
Disposals	(19)	(1,535)	(2)	(2)	–	(1,558)
Write-off	(17,646)	–	(3,962)	(1,077)	(882)	(23,567)
Exchange realignment	(183)	(3)	(62)	(84)	(10)	(342)
At 30th September, 2015	104,751	3,856	8,790	63,627	9,446	190,470
Additions	**9,053**	**4**	**515**	**5,850**	**153**	**15,575**
Disposals	**–**	**(500)**	**–**	**(558)**	**–**	**(1,058)**
Write-off	**(13,388)**	**–**	**–**	**(1,000)**	**(90)**	**(14,478)**
Exchange realignment	**(235)**	**–**	**(26)**	**(148)**	**(6)**	**(415)**
At 30th September, 2016	**100,181**	**3,360**	**9,279**	**67,771**	**9,503**	**190,094**
Accumulated depreciation						
At 1st October, 2014	87,989	2,876	10,418	43,167	8,895	153,345
Provided for the year	16,011	782	1,093	5,391	626	23,903
Eliminated on disposals	(19)	(1,535)	(2)	(2)	–	(1,558)
Eliminated on write-off	(17,609)	–	(3,959)	(522)	(880)	(22,970)
Exchange realignment	(174)	(3)	(61)	(77)	(9)	(324)
At 30th September, 2015	86,198	2,120	7,489	47,957	8,632	152,396
Provided for the year	**12,051**	**797**	**1,084**	**5,496**	**387**	**19,815**
Eliminated on disposals	**–**	**(500)**	**–**	**(532)**	**–**	**(1,032)**
Eliminated on write-off	**(13,382)**	**–**	**–**	**(120)**	**(87)**	**(13,589)**
Exchange realignment	**(231)**	**–**	**(25)**	**(137)**	**(6)**	**(399)**
At 30th September, 2016	**84,636**	**2,417**	**8,548**	**52,664**	**8,926**	**157,191**
Carrying value						
At 30th September, 2016	**15,545**	**943**	**731**	**15,107**	**577**	**32,903**
At 30th September, 2015	18,553	1,736	1,301	15,670	814	38,074

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

22. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods – merchandises	**32,364**	33,096

23. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**24,600**	27,774
Less: allowances for bad and doubtful debts	**(589)**	(589)
Total trade receivables	**24,011**	27,185

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 dates, net of allowances for bad and doubtful debts, at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**23,940**	27,151
31 days to 60 days	**–**	12
Over 90 days	**71**	22
	24,011	27,185

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$71,000 (2015: HK$22,000) which were aged over 90 days and past due but not required impairment at the end of the reporting period. The Group does not hold any collateral over these balances.

Movement in the allowance for trade receivables:

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**589**	1,093
Impairment loss recognised	**–**	274
Write-off of trade receivables	**–**	(778)
Balance at end of the year	**589**	589

24. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 0.6% (2015: 0.8%) per annum.

25. 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:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**5,124**	2,167

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.

26. 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.

27. SECURED MORTGAGE LOAN

	2016 HK$'000	2015 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,058**	2,993
Non-current liabilities	**19,500**	22,558
	22,558	25,551

27. SECURED MORTGAGE LOAN (Continued)

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

	2016 HK$'000	2015 HK$'000
Within 1 year	**3,058**	2,993
1 year to less than 2 years	**3,125**	3,058
2 years to less than 3 years	**3,191**	3,125
3 years to less than 4 years	**3,261**	3,191
4 years to less than 5 years	**3,332**	3,261
5 years or more	**6,591**	9,923
	22,558	25,551
Less: Amount due within one year shown under current liabilities	**(3,058)**	(2,993)
Amount shown under non-current liabilities	**19,500**	22,558

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK$229,549,000 as at 30th September, 2016 (2015: HK$230,874,000). It bears interest at 2.85% (2015: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.15% (2015: 2.15%) per annum.

28. SHARE CAPITAL

	As at 30th September, 2016 HK$'000	As at 30th September, 2015 HK$'000
Authorised: 2,000,000,000 (2015: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid: 763,952,764 (2015: 763,952,764) ordinary shares of HK$0.1 each	**76,395**	76,395

29. SHARE OPTIONS

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 may, on or before 23rd February, 2022, at its discretion, offer to grant share 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 or any of its subsidiaries, any advisors (professional or otherwise), consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters and service providers to subscribe for shares of the Company, representing (when aggregated with share options granted under any other scheme) initially not more than 10% of the shares in issue as at 24th February, 2012, on which the Share Option Scheme was conditionally adopted pursuant to the resolution of the shareholders of the Company in general meeting held on that date. The subscription price shall be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of the grant of options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of share options; and (iii) the nominal value of the shares. The Board may in its absolute discretion determine the period, saved that such period shall not be more than 10 years commencing on the date of the grant of option, and the minimum period for which a share option must be held before it can be exercised. The maximum aggregate number of shares issued and to be issued on the exercise of share options and in respect of which share 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 share options granted to each participant except for independent non-executive directors and substantial shareholders of the Company (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.

As at the date of this report, a total of 5,000,000 shares (representing approximately 0.65% of the existing issued share capital of the Company) may be issued upon exercise of all share options which were granted under the Share Option Scheme.

29. SHARE OPTIONS (Continued)

(I) Movement of Share Options

	Number of Share Options										Closing Price of Shares	
Eligible participants	As at 1st October, 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 30th September, 2016	Date of grant	Vesting period	Exercise period	Exercise price	Before date of grant	Before date of exercise
Directors/Chief Executive												
Wong Man Lai, Stevie	–	1,500,000	–	–	–	1,500,000	12th April, 2016	12th April, 2016 to 1st October, 2017	2nd October, 2017 to 1st October, 2018	HK$0.495	HK$0.495	–
	–	1,500,000	–	–	–	1,500,000	12th April, 2016	12th April, 2016 to 1st October, 2018	2nd October, 2018 to 1st October, 2019	HK$0.495	HK$0.495	–
	–	2,000,000	–	–	–	2,000,000	12th April, 2016	12th April, 2016 to 1st October, 2019	2nd October, 2019 to 1st October, 2020	HK$0.495	HK$0.495	–
Total	–	5,000,000	–	–	–	5,000,000						

(II) Number and Weighted Average Exercise Prices of Share Options

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	5,000,000	HK$0.495	–	–
Exercised during the year	–	–	–	–
Cancelled during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	5,000,000	HK$0.495	–	–
Exercisable at the end of the year	–	–	–	–

29. SHARE OPTIONS (Continued)

(III) Valuation of Share Options

The fair value of each share option granted was estimated on the date of offer, determined by Ascent Partners Valuation Service Limited, using the Binomial Model with the following assumptions:

Date of grant	:	12th April, 2016
Share price at date of grant	:	HK$0.495
Exercise price	:	HK$0.495
Risk-free interest rate	:	0.712%-0.903%
Expected dividend yield	:	12.5%
Expected volatility	:	48.10%-55.16%
Expected life (years)	:	2.47 to 4.47

Based on the above assumptions, the estimated fair value of each share option was HK$0.0822, HK$0.0946 and HK$0.1012, respectively. The Binomial Model requires input of various parameters. Any changes in the parameters may materially affect the estimation of the fair value of a share option.

Expected volatility was determined by using the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

The Group recognised the total expense of approximately HK$94,000 for the year ended 30th September, 2016 (2015: none) in relation to share options granted by the Company.

30. PENSION OBLIGATIONS

Defined Contribution Plans

The Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees employed in Hong Kong. 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$1,250 per month before 1st June, 2014 and HK$1,500 per month, commencing from 1st June, 2014 as a mandatory contribution or 5% of the relevant monthly payroll costs to the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit 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.

31. DEFERRED TAXATION

The following are the 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$'000	Undistributed profits of PRC subsidiaries HK$'000	Receipts in advance HK$'000	Total HK$'000
At 1st October, 2014	2,522	2,307	(9,718)	(792)	–	(5,681)
Exchange realignment	–	16	–	18	–	34
Charged to the consolidated statement of profit or loss	(321)	(1,554)	–	(157)	–	(2,032)
At 30th September, 2015	2,201	769	(9,718)	(931)	–	(7,679)
Exchange realignment	**–**	**(6)**	**–**	**53**	**(21)**	**26**
(Charged) credited to the consolidated statement of profit or loss	**(58)**	**(763)**	**–**	**(382)**	**1,061**	**(142)**
At 30th September, 2016	**2,143**	**–**	**(9,718)**	**(1,260)**	**1,040**	**(7,795)**

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:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**3,871**	3,798
Deferred tax liabilities	**(11,666)**	(11,477)
	(7,795)	(7,679)

At the end of the reporting period, the Group had unused tax losses of approximately HK$139,191,000 (2015: HK$133,871,000) available for offset against future profits. For the year ended 30th September, 2015, deferred tax assets had been recognised in respect of HK$4,206,000 of such losses. No deferred tax asset had been recognised in respect of the whole of HK$139,191,000 (2015: the remaining HK$129,665,000) due to the unpredictability of future profit streams.

At the end of the reporting period, tax losses of approximately HK$97,806,000 (2015: HK$106,705,000) from overseas subsidiaries will be expired starting from 2017 up to the end of 2021 (2015: starting from 2016 up to the end of 2020). Other unused tax losses may be carried forward indefinitely.

32. 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:

	2016 HK$'000	2015 HK$'000
Investment properties	**229,549**	230,874

33. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**846**	2,889

(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**	2016 HK$'000	2015 HK$'000
Not later than 1 year	**5,376**	5,376
More than 1 year but not later than 5 years	**6,878**	6,296
	12,254	11,672

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

As lessees **Rental payments**	2016 HK$'000	2015 HK$'000
Not later than 1 year	**97,568**	95,420
More than 1 year but not later than 5 years	**82,925**	82,087
	180,493	177,507

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.

34. 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 *(Note 2)*	Labuan, Malaysia 28th June, 2000	Ordinary shares US$10,000	–	N/A
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

34. 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)				
Oasis Techno-Beauty Company Limited	Hong Kong 24th December, 1999	Ordinary shares HK$10,000	100%	Distribution of beauty service equipment and products, and provision of beauty services in Hong Kong
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%	Inactive
奧思美容品（上海）有限公司 *(Note 1)*	The PRC 9th February, 2002	US$200,000	90.1%	Inactive
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 *(Note 2)*	Singapore 6th November, 2003	Ordinary shares S$300,000	–	N/A
Top Distinct Limited	Hong Kong 26th January, 2006	Ordinary shares HK$2,000,000	100%	Operating of beauty salons in Hong Kong
Oasis Medical Clinic Company Limited	Hong Kong 6th November, 2007	Ordinary share HK$1	100%	Operating of beauty salons and provision of other related services in Hong Kong

34. 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)				
WO North China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in the PRC
WO Central China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in the PRC
WO South China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding in the PRC
Oasis Cosmetic Holdings Company Limited	Hong Kong 17th June, 2008	Ordinary share HK$1	100%	Investment holding in the PRC
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
上海奧薇化妝品商貿有限公司	The PRC 22nd April, 2009	US$1,400,000	100%	Inactive
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 trademarks

34. 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)				
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.

Note 2: These Companies were struck off in the current reporting period.

35. RELATED PARTY TRANSACTION

(a) Travelling Expenses

	2016 HK$'000	2015 HK$'000
Travelling expenses paid to:		
– Hip Holiday Limited	**152**	247

Mr. Yu Kam Shui, Erastus, an executive director of the Company, and his son, Mr. Yu Ho Kwan, Steven, are the sole director and ultimate shareholder of Hip Holiday Limited, respectively.

(b) Compensation of Key Management Personnel

	2016 HK$'000	2015 HK$'000
Basic salaries	**8,581**	8,588
Bonuses	**6,803**	3,104
Retirement benefit costs	**72**	84
Equity-settled share-based payment expenses	**94**	–
	15,550	11,776

The related party transaction disclosed in (a) above was a fully exempted connected transaction under the Chapter 14A of Listing Rules because it was qualified for de minimis transaction.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	AS AT 30TH SEPTEMBER, 2016 HK$'000	2015 HK$'000
Non-current asset			
Investment in a subsidiary		**3,000**	3,000
Current assets			
Prepayments		**116**	113
Amounts due from subsidiaries	a	**140,874**	159,465
Bank balances		**583**	465
		141,573	160,043
Current liability			
Accruals and other payables		**1,507**	1,064
Net current assets		**140,066**	158,979
Total assets less current liability		**143,066**	161,979
Capital and reserves			
Share capital		**76,395**	76,395
Reserves	b	**66,671**	85,584
Total equity		**143,066**	161,979

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st October, 2014	38,879	450	–	51,898	91,227
Profit and total comprehensive income for the year	–	–	–	63,112	63,112
2014 final dividend paid	–	–	–	(38,197)	(38,197)
2015 interim dividend paid	–	–	–	(30,558)	(30,558)
At 30th September, 2015	38,879	450	–	46,255	85,584
Profit and total comprehensive income for the year	**–**	**–**	**–**	**7,732**	**7,732**
2015 final dividend paid	**–**	**–**	**–**	**(19,099)**	**(19,099)**
2016 interim dividend paid	**–**	**–**	**–**	**(7,640)**	**(7,640)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**94**	**–**	**94**
At 30th September, 2016	**38,879**	**450**	**94**	**27,248**	**66,671**

37. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

Five-Year Financial Summary

	Year ended 30th September,				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**626,823**	691,681	679,049	628,971	824,432
Profit before taxation	**40,936**	68,532	65,230	38,485	64,023
Taxation	**(11,936)**	(16,043)	(19,666)	(7,605)	(1,209)
Profit for the year	**29,000**	52,489	45,564	30,880	62,814
Profit for the year attributable to:					
Owners of the Company	**29,063**	50,563	47,930	34,259	67,981
Non-controlling interests	**(63)**	1,926	(2,366)	(3,379)	(5,167)
	29,000	52,489	45,564	30,880	62,814
STATEMENT OF FINANCIAL POSITION					
Total assets	**788,516**	750,821	734,059	683,695	773,496
Total liabilities	**(502,406)**	(466,028)	(431,315)	(407,235)	(481,074)
	286,110	284,793	302,744	276,460	292,422
Equity attributable to					
Owners of the Company	**278,957**	277,583	296,761	268,156	280,831
Non-controlling interests	**7,153**	7,210	5,983	8,304	11,591
	286,110	284,793	302,744	276,460	292,422

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, B.B.S., J.P.
Wong Chi Keung

AUDIT COMMITTEE

Wong Lung Tak, Patrick, B.B.S., J.P. *(Chairman)*
Wong Chun Nam, Duffy, B.B.S., J.P.
Wong Chi Keung

REMUNERATION COMMITTEE

Wong Chun Nam, Duffy, B.B.S., J.P. *(Chairman)*
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chi Keung

INVESTMENT ADVISORY COMMITTEE

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

NOMINATION COMMITTEE

Wong Chi Keung *(Chairman)*
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chun Nam, Duffy, B.B.S., J.P.

DISCLOSURE COMMITTEE

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

COMPANY SECRETARY

Lee Pui Shan

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Deacons
Reed Smith Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

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