Water **Oasis** Group Limited
奧思集團有限公司
Stock Code 股份代號：1161

穩步邁進
成果豐碩

Achievement through Advancement

ANNUAL REPORT
年報
2018

2018 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 while continuing to hold a strong product portfolio of self-owned and licensed brands.

Oasis Portfolio

The Group's core beauty services, linked under the "Oasis" brand name, together make up a synergistic portfolio of beauty and related wellness services. Together, the various Oasis brand segments deliver a comprehensive all-round offering of beauty services and products that give it 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. It offers a full selection of general, specialist and medical beauty services.

As at 30th September, 2018, the Group had 15 Oasis Beauty centres in Hong Kong, and a further 3 Oasis Beauty centres in Beijing. These attractively presented centres serve middle-class customers looking for a mix of high quality skincare products and advanced beauty equipment, with treatments administered by professional beauticians. In addition, 2 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 experiences 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, and provide treatments for a wide range of skin issues.

In Macau, the Group maintains a single Oasis Beauty Store, which sells H2O+ and Glycel brand products as well as offering beauty treatment services.

Other related services operating under the Oasis brand are Oasis Nail, Oasis Florist and Oasis Health.

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 currently has 15 outlets in Hong Kong, and 1 outlet in Macau. These include a range of spas providing high-end beauty services within a resort-style ambience, along with outlets retailing the Swiss-made product range. Glycel is also making a name for itself with its high-end beauty devices, which 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.

Another important range of products for the Group are those under its own Eurobeauté brand. Eurobeauté products are used extensively as integral parts of many Oasis Beauty treatments, as well as being sold directly to consumers at its outlets. Developed based on leading global research and technology, the expanding range of Eurobeauté products is providing Asian women with homecare skincare solutions that effectively complement the professional salon treatments supplied by the Group.

Retail Distributor

Separately from its beauty services, the Group also retails and distributes selected high-quality, world-renowned skincare brands in Hong Kong. One of these is Erno Laszlo, for which the Group has held exclusive Hong Kong distributorship rights 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. There are currently 4 H2O+ retail outlets in prime Hong Kong locations.

CEO's Statement

I am pleased to be able to introduce the Group's results for the year ended 30th September, 2018. Looking back at the whole financial year of 2017/18, it is fair to say that this has been a good year, and one in which many of the initiatives we have taken in recent times have borne fruit. Naturally, we measure our progress in financial terms and I am pleased to report that the Group has performed very well in this respect in 2018. But we also look closely at how we are performing in terms of less tangible factors. For example, are we managing to stay at the forefront of new beauty technology? Are we up to date with new methods of marketing and digital engagement? Are our products and services relevant and attractive, to old and new customers alike? Measured by criteria like this, I believe we can definitely say that we are moving ahead steadily even though the macro environment remains an uncertain one.

In recent years, we have undertaken a comprehensive search for new and better technology and advanced equipment for our Oasis Beauty outlets and Oasis Medical Centres. This is an area that I take a personal and very hands-on interest in, striving to build strong working relationships with beauty equipment developers and manufacturers around the world. Our introduction of efficacious and innovative beauty technology in recent years, including in 2018, has been a major factor in establishing the Group as a trusted high-level beauty services provider and driving our profit growth. There will be no let-up in our efforts to source appropriate new technology and adapt it for the special needs of Hong Kong users. I see this as a vital part of how successfully we position ourselves in the market in the coming years.

Another special focus for the future will be online marketing, an area in which we have already taken big strides over the past year and more. Increasingly, consumers are relying on online social media for getting information about new products and services, and so it is vital that we expand our presence here and ensure that Water Oasis continues to find ways into the eyes and minds of the internet generation. We are doing this by expanding our social media outlets, putting products and services on line, developing apps to make life easier for customers, and engaging KOLs and others with a strong online presence to promote our products and treatments. Technology changes fast, though, and so do social media trends. Our in-house marketing team is heavily engaged in innovative campaigns and strategies to stay abreast of this vital but volatile area. At the same time, our data analytics team is continuing to provide valuable input into our customer profiles and habits, which is allowing us to become even more efficient in how we target our resources for growth.

We have certainly recognised the major ways in which technology is changing the way our customers behave: for example, how they share their experiences, stay connected with their favourite brands, book beauty treatments, and pay for products and services. In all these areas we have made some major innovations in recent times. This year, for example, we have added popular payment methods such as WeChat Pay to an existing range that includes Paypal and Alipay, a move which is especially benefiting our online sales. We will continue to closely track trends in technology and social media to ensure we remain up to date with how our consumers are spending, and what payment methods they are wanting to use.

None of the things I have talked about are ground-breaking or represent major greenfield initiatives. Our preference has always been for organic growth, cautious expansion, prudent management of cash, and overall stability. These are qualities that have enabled us to ride out difficult times in the past, and to post steady, satisfying results when the economy is less volatile. The recipe is a proven one, as shown by the record performance we have posted this year. This gives us confidence that we are heading in the right strategic direction, and we will continue to strengthen and develop our Hong Kong business along similar lines going forward.

Our good results this year are the outcome of the hard work and commitment of many groups and individuals. I would like in particular to thank our board of directors for their support and advice, and to all those working in Water Oasis for the efforts they have made personally to generate these results. Thank you too to our business partners and customers, who have shown enthusiastic support and have inspired us to improve further. We do believe that, with our long experience in the business and our in-depth understanding of the needs and wishes of Hong Kong consumers, we have generated the forward momentum we need to face the future with confidence.

Alan Tam
Chief Executive Officer

Management Discussion & Analysis

For the year ended 30th September, 2018 ("the year"), the Group delivered a highly positive performance across almost all areas of its business segments, achieving near double digit growth in a host of categories. Profit for the year rose by 37.2% year on year, as customers continued to respond enthusiastically to the array of services and products offered by the Group, while customer numbers grew as new advertising channels and methods proved their value. These were achieved in the face of a relatively uncertain macro economic environment, and bear witness to the Group's strong management skills and deep expertise in the industry.

Overall turnover for the Group rose by 9.9% year-on-year, while its gross profit margin also lifted further to 92.4%, against 91.9% in 2017. As in previous years, this rise in gross profit margin reflected a further shift in the ratio of retail and service sales, with retail dropping to 20.8% from 21.8% a year earlier, and the higher-margin services segment rising to 79.2% (2017: 78.2%). Basic earnings per share for the year amounted to 12.8 HK cents (2017: 9.1 HK cents).

As always, the Group closely monitored rental costs and took steps where necessary to maintain profitability at its outlets. In the year, this involved closing one underperforming H2O+ outlet in Harbour City and relocating its Glycel Yuen Long outlet moved from Kolour to Yoho Mall, while its Macau Oasis Beauty Store was moved off-street and into a larger-sized space in a popular mall environment in late September 2018. Two new outlets were also opened during the year in popular upmarket shopping centres; a Glycel outlet in YATA Taipo, and another Glycel Skinspa in One Pacific Centre in Kwun Tong. As a result of these adjustments, at year-end the Group had a total of 55 outlets in operation, up from 54 at the same time last year.

These changes, together with an easing of the Hong Kong leasing market, enabled the Group to lower its overall rental costs by 0.9% compared to the previous year, as well as reducing their percentage to turnover to 17.8% (from 19.8% in 2017). Depreciation costs to turnover also fell year-on-year. Capital expenditure quadrupled from 2017 to 2018, with just slightly above half of the capex (HK$34.5 million) used for the purchase of a property in Yuen Long which previously the Group had rented, which the management believes will lower the rental costs. The remainder of the Group's capex was used partly for the renovation of existing beauty salons in order to keep the salons fresh and attractive, and partly for the purchase of advanced beauty therapy equipment (such as the PicoGenius and Scarlet-X equipment, etc.) for use in Oasis Medical Centres and other beauty salons within the Group, with the aim of bolstering its competitive edge.

This year, the Group significantly increased its marketing expenditure in order to fully promote its new range of Oasis Beauty and Oasis Medical Centre equipment. Marketing expenses also rose with the adoption of Christine Kuo as the new 'face' of the Glycel brand, along with the launch of a number of innovative new Glycel products and treatments that were given wide publicity across different media. Despite this, expressed as a percentage of turnover, marketing expenses only amounted to 4.2%, which is considered to be reasonable. The Group believes that its marketing spending has been very well targeted and is delivering maximum penetration for each dollar.

Staff costs rose by 5.4% year-on-year, although as a percentage of turnover they in fact fell to 42.5%, from 44.3% in 2017. The costs were in line with an increase in the overall number of staff, from 752 in 2017 to 764 in 2018. The extra staff have mainly been front-line staff, brought on board both to supply new outlets and in order to further enhance standards of service in existing outlets.

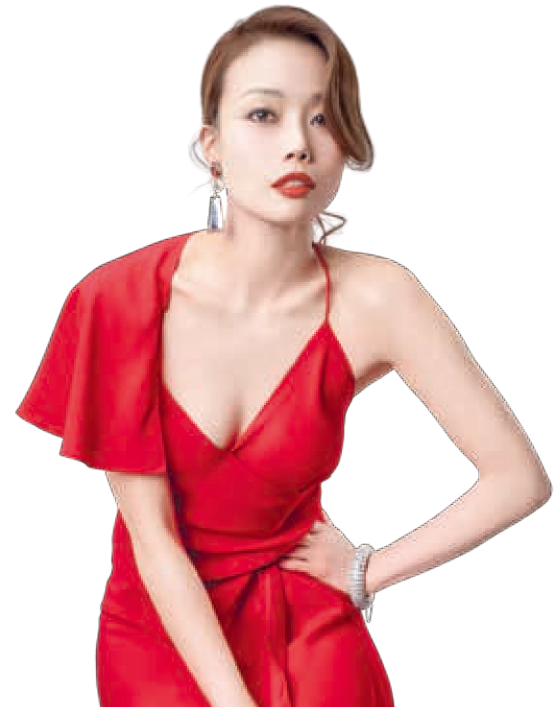
The Group's bank balances and cash reserves as at 30th September, 2018 amounted to approximately HK$376.6 million. Its current ratio was 0.9:1 and its debt-equity ratio was 5.8%. The board of directors has recommended the payment of a final dividend of 5.5 HK cents per share, bringing the full-year dividend to 8.5 HK cents per share (2017: 8.0 HK cents).

Business Review
Services

OASIS Portfolio

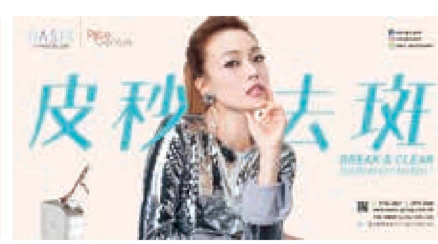
The Group operates a number of different but related beauty services under a single brand profile, the OASIS portfolio. These include its core beauty services businesses Oasis Beauty and Oasis Spa, together with its professional medical beauty specialist Oasis Medical Centre. Other smaller OASIS-branded business segments include Oasis Homme and Oasis Florist.

The major members of the OASIS family, Oasis Beauty, Oasis Spa, and Oasis Medical Centre, all continued to perform strongly and generated double digit growth in Hong Kong over the year. Leading the way was Oasis Beauty, which performed very strongly in Hong Kong, while also achieving satisfactory growth in the Group's three self-managed PRC outlets. Oasis Medical Centre also made significant gains on the back of its regular introduction of advanced beauty equipment sourced from global manufacturers.



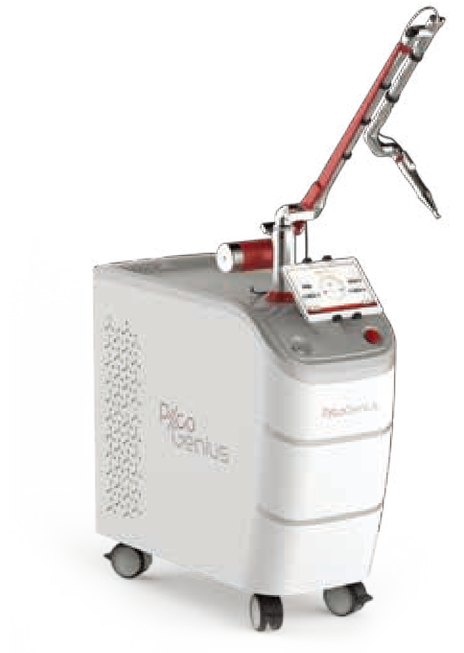
During the year, the Group introduced a new mobile app for its Oasis Beauty services, which has proved very successful. Ongoing renovations of Oasis Beauty outlets throughout the year, and the introduction of new treatments and advanced beauty equipment, all helped cement customer loyalty and ensure a growing stream of customers.

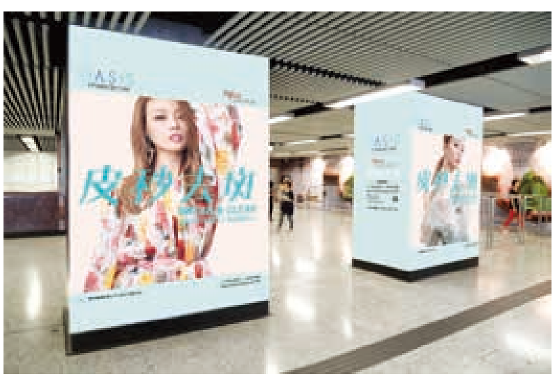
At year-end, the Group was operating a total of 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme outlets), together with three self-managed Oasis Beauty centres in Beijing. There were a further three high-end Oasis Spa centres in operation. Another Oasis Beauty Store in Macau continued to operate on a larger scale after relocation; this outlet now has treatment options that are helping to further expand its customer base.

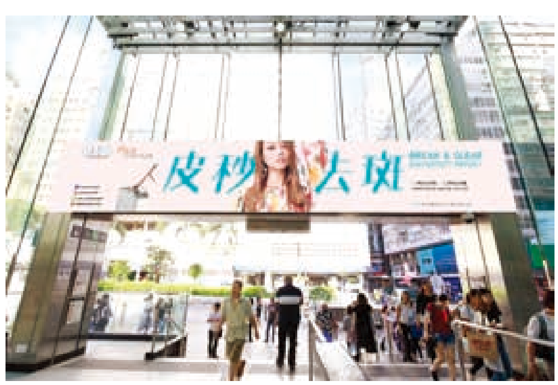


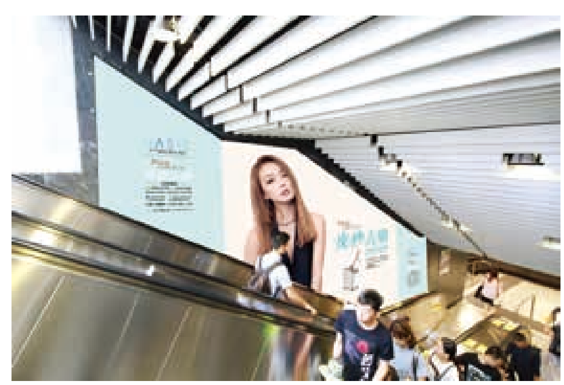
Oasis Medical Centre

The Group continued to run six Oasis Medical Centres in Hong Kong during the year. Against 2017, they recorded a growth of 10.2% in turnover, and proved to be one of the Group's major growth drivers. Much of the growth came from the positive effects of constant upgrading of the medical equipment available to customers. In March 2018, exceptional new 'PicoGenius' equipment and treatments were introduced, expertly marketed under the brand face of popular local celebrity Joey Yung. In addition, new Scarlet-X equipment offering precisely targeted deep heat treatments for the skin for advanced firming and lifting was launched in December 2017, with good success.



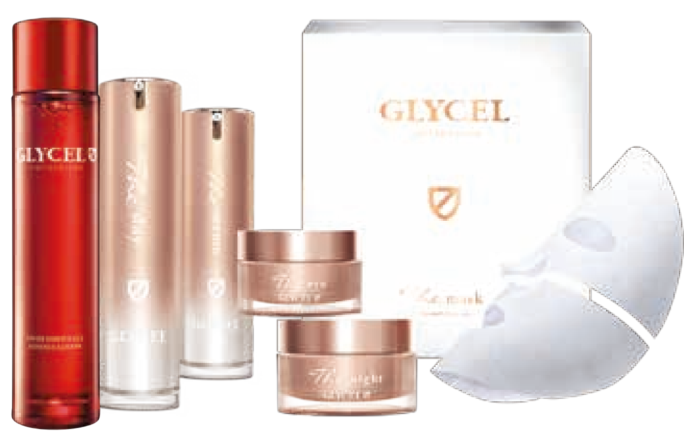






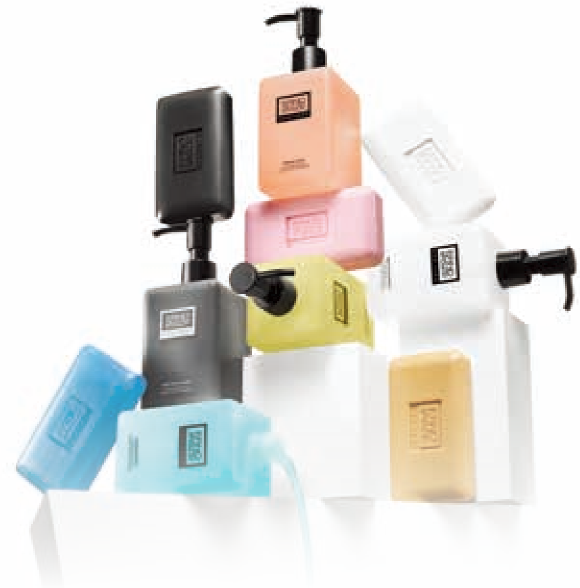
Glycel

The Group's self-owned Glycel brand covers the provision of beauty treatment services under its Glycel 'Skinspa' brand, and related products. Sales growth of 8.7% was recorded for the year. The Glycel range has continued to appeal to Hong Kong consumers, and the Group has been systematically extending the products offered under this brand. The adoption of Christine Kuo as the brand face, in conjunction with the launch of new products such as 'The Line' series in October 2017 and the 'Red Water' series in April 2018, along with a new Deluxe Swiss Essentials Signature Treatment launched during the year, have together sustained the momentum of brand sales and helped establish Glycel firmly as a serious player in the competitive high-end skincare market. During the year, two new Glycel outlets were added, one at Tai Po and the other in Kwun Tong, bringing the total number of Glycel outlets to 15, with another in Macau.



Retail

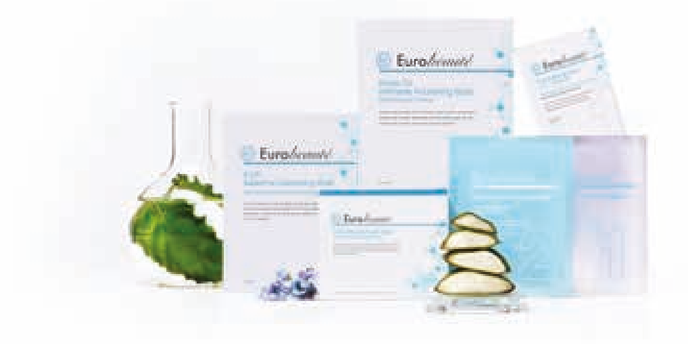
Erno Laszlo

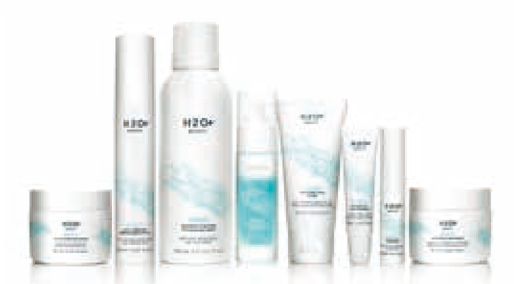


This historic brand, focusing on exclusive skincare options, achieved single-digit growth in sales during the year based on strong promotion and the steady introduction and marketing of new products. The number of Erno Laszlo outlets remained at five throughout the year, but a further outlet was opened after year end, in YATA Shatin.

Eurobeauté and DermaSynergy

The Group's Eurobeauté brand, products of which are mostly sold in spas and beauty centres, performed strongly over the year, riding on the increases for Oasis Beauty services. The DermaSynergy brand, meanwhile, also performed well. Products under this brand are an integral part of many of the Group's Oasis Medical Centre treatments, and are also sold at outlets directly to consumers.





H2O+

Following the closure of one underperforming H2O+ outlet in April, the number of outlets for this brand, for which the Group has distribution rights in Hong Kong, fell to four, with turnover falling proportionately.

PROSPECTS

At a macro level, concerns around the China US trade war and the weakening stock market are expected to impact on the Hong Kong economy over coming months. However, the Group's efforts in recent times to strengthen its marketing efforts, expand its customer profile target, and enhance the technology used in its key services, has put it in a strong position in relation to macro-economic trends.

With its digital marketing efforts having proved very successful to date, the Group expects to maintain its focus on innovative digital marketing and continue directing resources into this sector. While traditional print and media advertising will be maintained, online marketing will become equally important in terms of the Group's overall profile and market presence. This is expected to be significant in generating more customer numbers, from an even wider social base.

Now contributing almost 80% of total sales, the Group's beauty services segment will remain the focus of overall business activities in the future. To maintain a highly competitive profile in the congested Hong Kong market, new beauty technologies and equipment will be imported regularly to address the full range of beauty needs of Hong Kong consumers. The Group has proven its ability to locate cutting-edge equipment and strategically adapt it for Hong Kong users, and this will continue to be an area in which the Group demonstrates its commitment to beauty excellence in the future.

The Group has been working to establish online presences for some of its products, including its own online-only brand O~KO!beauty offering high quality but lower-cost beauty products targeting younger users. Currently, the main route for these products is via Facebook, and results have been encouraging. At this stage, its efforts remain at early stages, and in the coming year further work will be done to build its online profile.

Recognising the increasing diversity of payment preferences, and the need to provide payment options for both in-store and online purchases, the Group has been expanding the payment tools it offers. In the second half of the year, WeChat Pay was introduced to supplement its existing payment options.

Looking ahead, recent turbulence in the stock market suggests that there may be some belt-tightening among consumers in the months to come. The Group will maintain its focus on maintaining business efficiency and spending prudently, leveraging its absence of debt and strong cash position. At the same time, the Group intends to continue its forward momentum in terms of sourcing new beauty equipment and products, upgrading its beauty service environments, and investing in targeted advertising in both old and new media to expand its public profile. These kinds of investments are already reaping positive rewards, as indicated by strong public response.

In summary, the Group's positive results for 2017/18 are a clear sign that its business strategies are on the right track. Its beauty services and products are successfully reaching a wide variety of consumers, and more of these than ever due to innovative new digital marketing strategies. Its sourcing and adoption of new technology is helping the Group establish a strong niche as a professional beauty services company. All along, its attention to customer care – as seen in the quality of its service staff, the comfort of its beauty treatment environments, the attractiveness of its retail stores, and the professionalism of its therapists and medical advisors – is a fundamental commitment that is never compromised. With these advantages, the Group is looking forward to another active and effective year ahead.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 68, is an executive director and one of the founders of the Group. Mr. Yu is also a director of certain subsidiaries of the Company. 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 and the uncle of Mr. Tam Siu Kei, Alan.

Mr. TAM Chie Sang, aged 66, is an executive director and one of the founders of the Group. Mr. Tam is also a director of certain subsidiaries of the Company. Mr. Tam 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 former 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 and the father of Mr. Tam Siu Kei, Alan.

Ms. YU Lai Chu, Eileen, aged 66, is an executive director and one of the founders of the Group. Ms. Yu is also a director of certain subsidiaries of the Company. 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 and the mother of Mr. Tam Siu Kei, Alan. Ms. Yu is a director of Zinna Group Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong.

Ms. LAI Yin Ping, aged 63, is an executive director and one of the founders of the Group. Ms. Lai is also a director of certain subsidiaries of the Company. Ms. Lai holds a Bachelor's Degree in Arts with Economics as her major. Prior to founding the Group in May 1998, Ms. Lai 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 and the aunt of Mr. Tam Siu Kei, Alan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. WONG Lung Tak, Patrick, B.B.S., J.P., aged 70, 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. Prof. Wong 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, 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 Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Company Limited), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited) and Real Nutriceutical Group Limited from 19th June, 2004 to 3rd October, 2016, from 28th June, 2010 to 23rd June, 2017 and from 28th March, 2008 to 12th October 2017 respectively. All companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, Duffy, B.B.S., J.P., aged 65, 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 consultant 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 Accreditation of Academic and Vocational Qualifications Appeal Board.

Dr. WONG Chi Keung, aged 63, 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. 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

Mr. TAM Siu Kei, Alan, aged 41, is the Chief Executive Officer of the Group (the "CEO") since 15th March, 2017. Mr. Tam has been working for more than 18 years since he joined the Group in 1999. During his year of services in the Group, Mr. Tam has successfully launched our Medical Beauty services business in Hong Kong. He has also participated in the acquisition of our Group's Glycel brand business as well as obtaining the distributorship licences of Erno Laszlo. Besides, he has also assisted in developing the retail and beauty service businesses in various countries including the PRC, Macau, Taiwan and Singapore. Mr. Tam is the Principal Advisor (Wanchai District) of the Auxiliary Medical Service. 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 them are executive directors of the Company.

Mr. AU Moon Ying, Henry, aged 52, is the Chief Financial Officer of the Group. Prior to joining the Group since March 2007, Mr. Au has over 30 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 Fellow 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 member of The Association of Chartered Certified Accountants as well as an Associate member of The Institute of Canadian General Accountants.

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, 2018.

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 the 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, 2018.

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, 2018 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, Prof. Wong Lung Tak, Patrick and Mr. Wong Chun Nam, Duffy will retire as directors and, being eligible, offer themselves for re-election.

In accordance with the articles 86(3) of the Articles of Association of the Company, the directors shall have the power from time to time and at any time to appoint any person as the director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Accordingly, Mr. Tam Siu Kei who was appointed as the executive director by the Board with effect from 1st February, 2019 shall be eligible for re-election at the forthcoming AGM.

The family relationships among the Board members, if any, are disclosed under "Directors and Senior Management" section in this annual report. There is no other financial, business, family or other material/relevant relationships among the members of the Board.

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

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", but Mr. Yu Kam Shui, Erastus, an executive director, is carrying out the duty of the chairman. Mr. Tam Siu Kei, Alan as the CEO is responsible for managing the Group's business and overall operations.

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 5 times during the year ended 30th September, 2018.

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, 2018 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	Extraordinary General Meeting
Executive directors								
YU Kam Shui, Erastus	5/5	–	–	1/1	–	–	1/1	2/2
TAM Chie Sang	5/5	–	–	–	–	–	1/1	2/2
YU Lai Chu, Eileen	5/5	–	–	–	–	–	1/1	1/2
LAI Yin Ping	5/5	–	–	–	–	–	1/1	2/2
Independent non-executive directors								
WONG Lung Tak, Patrick	5/5	2/2	1/1	1/1	1/1	–	1/1	2/2
WONG Chun Nam, Duffy	5/5	2/2	1/1	1/1	1/1	–	1/1	1/2
WONG Chi Keung	5/5	2/2	1/1	1/1	1/1	–	1/1	2/2

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, 2018, all directors of the Company 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.

The participation by each director of the Company in the continuous professional development was recorded in the table below:

Directors	Reading	Attending in-house briefings/seminars/ conferences
Executive directors		
YU Kam Shui, Erastus	✓	✓
TAM Chie Sang	✓	✓
YU Lai Chu, Eileen	✓	✓
LAI Yin Ping	✓	✓
Independent non-executive directors		
WONG Lung Tak, Patrick	✓	✓
WONG Chun Nam, Duffy	✓	✓
WONG Chi Keung	✓	✓

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 revised in (i) 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; and (ii) September 2018 to reflect the amendments of the CG Code with reflect from 1st January, 2019. 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, 2018, 2 meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2017 with external auditor and also the activities of the Group's risk management and internal control functions, as well as the interim results of 2018.

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.

During the year ended 30th September, 2018, 1 Remuneration Committee meeting was held to review and approve the management's remuneration proposals, as well as to determine on the remuneration packages of individual executive directors and senior management.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management (refer to as disclosed in "Directors and Senior Management" section of this annual report) by band for the year ended 30th September, 2018 is set out below:

Remuneration band (HK$)	Number of individuals
3,000,001 – 4,000,000	1
4,000,001 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 14 to the consolidated financial statements as set out on pages 79 to 80 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 namely Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung, and an executive director of the Company, Mr. Yu Kam Shui, Erastus 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, 2018, 1 Investment Advisory Committee meeting was held to review the investment plans on assets including investment properties, bank and cash or any other kind of investments of the Group as well as to evaluate and discuss the investment risk, if any, on existing investment portfolio of the Group.

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 assessing the independence of independent non-executive directors. Its terms of reference are available on the respective websites of the Stock Exchange and the Company.

During the year ended 30th September, 2018, 1 Nomination Committee meeting was held among others (i) to review the structure, size and composition of the Board; (ii) to assess the independence of the independent non-executive directors; and (iii) to review and make a recommendation to the Board on the appointment and re-appointment of the directors.

NOMINATION POLICY

Objectives

The key objectives of the Nomination Policy (the "Nomination Policy") shall inter-alia include the following:

- to guide the Board in relation to appointment/re-appointment/removal of directors of the Company;
- to devise criteria for performance evaluation of the independent non-executive directors of the Company and the Board as a whole;
- to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the directors.

Appointment/Re-appointment/Removal of Director

Nomination Committee shall identify and ascertain the integrity, qualification, expertise and experience of the candidate who is considered for being appointed/re-appointed as director and apply due diligence in compliance with all applicable provisions of the laws of the Cayman Islands and the Listing Rules including any amendments thereto from time to time. Also, the Nomination Committee shall consider recommendations for candidates to the Board from shareholders of the Company.

The Nomination Committee shall obtain all applicable declarations and undertaking as provided under the laws of the Cayman Islands and the Listing Rules. In case of independent non-executive directors, the Nomination Committee shall ensure that the independent non-executive directors meet the criteria of independence as laid down in the Listing Rules.

While recommending any potential new Board member(s)/re-appointment of existing member(s) to the Board, the Nomination Committee shall consider the following:

- the current size and composition of the Board, the needs of the Board and the respective committees of the Company;
- candidate's character, integrity, judgment, diversity of experience (including age, gender, international background, race and professional experience), independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like. The Nomination Committee evaluates these factors, among others, and does not assign any particular weighting or priority to any of these factors;
- candidate's ability to provide insights and practical wisdom based on their experience, skill and expertise relevant to the Company's line of business;
- candidate's time commitment to the Company;
- details of candidate's relationship with the existing directors;
- details of substantial interest in the Company;
- candidate's understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

Once the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or management.

The Nomination Committee may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential candidates.

The Nomination Committee and the Board shall ensure that the composition of the Board is in conformity with the laws of the Cayman Islands, the Listing Rules and all other applicable laws and regulations.

Succession Plan

Succession planning is an essential component to the survival and growth of the Company. Succession planning is a tool for the Company to ensure its continued effective performance through leadership continuity. The Company recognizes the importance of the process to succession planning to provide for continuity in the smooth functioning of the Company. It is critical to fill up the positions well in time to avoid any leadership gap.

The Nomination Committee shall review the leadership needs of the Company from time to time.

Evaluation of Directors

The Nomination Committee will review the performance of re-appointment of directors and make recommendation to the Board for the continuance, re-appointment or removal of directors. The review of performance shall be undertaken once in a financial year.

Board Diversity

The Company has devised a policy on Board diversity to ensure adequate diversity in its Board. The Company believes that diversity underpins the successful operation on an effective Board and embraces diversity as a means of enhancing the business. With a view to achieve 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. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors.

Decision by the Board

After the Nomination Committee makes its recommendations to the Board, the Board will have final authority on determining the selection of the candidates for nomination to the Board.

Amendments to the Nomination Policy

In case of any amendment(s) and/or clarification(s) issued by the relevant authorities, not being consistent with the provisions laid down under the Nomination Policy, then such amendment(s) and/or clarification(s) shall prevail upon the provisions in the Nomination Policy and the Nomination Policy shall stand amended accordingly. The Nomination Committee has the power to amend the Policy.

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, 2018, no formal meeting had been held. The Board did consult the Disclosure Committee about its opinions via electronic means, as and when required.

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, 2018 is broken down below:

	2018 HK$'000
Statutory audit	**1,281**
Non-audit services	**588**
Total	**1,869**

The non-audit services mainly comprised tax compliance, interim review service, share buy-back assurance report 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, 2018 are set out in the section "Independent Auditor's Report" on pages 47 to 51 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 Elite Partners Risk Advisory Services Limited, to assess the effectiveness of the Group's risk management and internal control systems twice a year which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 30th September, 2018. The assessment report was reviewed by the Audit Committee and the Board. No major issue was raised for improvement. The Board is satisfied with the effectiveness of the internal control and risk management systems of the Group.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that Inside Information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of Inside Information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has formulated inside information policies and disclosed its policies on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or Inside Information; and
- the Group regularly reminds the directors and employees about due compliance with all polices regarding the Inside Information, as well as keeps them appraised of the latest regulatory updates.

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. 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, 2018.

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, 2018, 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 by mail to 18th floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

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 by mail to 18th floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong. 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, 2018.

UPDATE ON DIRECTORS' INFORMATION

The changes in directors' information subsequent to the interim report of the Company dated 25th May, 2018 and up to the date of this annual report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- The director's fee of each independent non-executive director has been revised to HK$250,000 per annum with effect from 1st January, 2019.
- The monthly basic salary of the CEO has been revised to HK$338,000 with effect from 1st January, 2019.

Environmental, Social and Governance Report

Reporting Period

This Environmental, Social and Governance ("ESG") Report illustrates and highlights the environment and social performance of the Group from 1st October, 2017 to 30th September, 2018 unless otherwise stated.

Reporting Scope

This ESG report summarised the performance of the Group in respect of corporate social responsibility. This report focuses on the operating activities which are considered as material by the Group – the business of beauty services and beauty products retailing in Hong Kong. With the aim to optimise and improve the disclosure requirements in this ESG Report, the Group has taken initiatives to formulate ESG-related policies, record relevant data as well as implement and monitor measures. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

Reporting Framework

This ESG report follows the disclosure requirements as set out in the ESG Reporting Guide ("ESG Guide") contained in Appendix 27 to the Listing Rules and has complied with "comply or explain" provision in the Listing Rules.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A Environmental Performance	Environmental Performance
A1 Emissions Policies and Compliances	Environmental Performance Emissions Policies and Compliance Minimising Emissions
A2 Use of Resources	Minimising Emissions Use of Resources and the Environment
A3 The Environment and Natural Resources	Environmental Performance Use of Resources and the Environment
B Social Performance	Social Performance
B1 Employment Policies and Compliances	Employment Policies and Compliance
B2 Health and Safety Policies and Compliances	Occupational Health and Safety Policies and Compliance
B3 Development and Training Policies	Human Capital Development and Training Policies
B4 Labour Standards	Employment Policies and Compliance
B5 Supply Chain Management	Supply Chain Management
B6 Product Responsibility	Product Responsibility Quality Assurance Process Products and Service Related Complaints Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies
B7 Anticorruption Policies and Compliances	Anticorruption Policies and Compliance Conflict of Interest Preventive Measures and Whistle-blowing Procedures
B8 Community Investment	Community Care

Stakeholders' Engagement

Stakeholders' expectation, view and feedback toward the Group is of ultimate importance to its future development. Trust is the foundation to build and ensure enduring and long-term relationship with stakeholders, to communicate with the stakeholders in a direct and transparent way and by understanding their views and expectation, the Group has done the below stakeholder engagement exercises to achieve the objectives.

Community

- Community participation
- Charity donation
- Press releases/News
- Corporate Website

Customers

- Corporate website
- Retail outlets
- Brochures and leaflets
- Customer service hotline
- Comments and complaint channels
- Press releases/News
- Multi media

Employees

- Comprehensive training
- New hire orientations
- Staff meetings and team briefings
- Performance appraisals
- Employee activities
- Notices and circulars
- Emails and other electronic communications

Investors and Shareholders

- Annual general meeting and notices
- Annual reports, financial statements, announcements and circulars
- Corporate website
- Investors briefings
- Press releases/News

Suppliers and Business Partners

- Contracts and agreements
- Business meetings, supplier conferences and interviews
- Quotations and tendering process
- Supplier appraisal, assessment and evaluation

Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement, please email your questions, suggestions and recommendations to:

Tel: (852) 3182 7700

Fax: (852) 2576 1862

Email: corporate@wateroasis.com.hk

ENVIRONMENTAL PERFORMANCE

The Group is committed to the long-term sustainability of its business, environmental protection is one of the major focuses of the Group in fulfilling its social responsibilities. The Group is a leading beauty services provider and beauty products retailer in Hong Kong, the Group aims to minimise environmental impacts while providing supreme quality, innovative and transformative beauty services with unique personalised experiences to its customers.

The Group's service portfolio covers a wide range of beauty and wellness services to men and women. In the process, energy and resources were used and waste was produced and disposed. In response to the growing awareness towards environmental protection and waste reduction in the society, the Group has established environmental policies and processes to ensure efficient use of resources and minimise impacts to the environment.

Emissions Policies and Compliance

The Group complies with related environmental protection laws and regulations of Hong Kong in air (dust and residues) and water emissions, solid waste management, noise pollution prevention and energy saving. Policies to promote efficient use of energy and natural resources to lower emission and cost are in practice. During the provision of beauty services and the use of equipment, the production of related hazardous waste during operation was collected and disposed of properly. The efforts being made could be reflected with the gradual reduction of both energy use and GHG emissions despite positive business growth in recent years.

Minimising Emissions

Carbon footprint generated from the Group will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2") emissions. Hazardous and non-hazardous waste generated from its operations will also be discussed. To reduce GHG emissions, the Group has energy saving practice in place by switching off unused air-conditioning, lighting, and equipment in its premises.

Comprising the Group's headquarters, beauty service and medical beauty centres, and retail outlets, the Group's operations cover a total floor area of 8,259.00 square meter ("m^2") and is accounted for 100% of its GHG emissions.

Carbon Footprint – GHG Emissions

The total net GHG emissions generated by the Group were 1,420.86 tonnes of carbon dioxide equivalent (tCO_2-e) (mainly carbon dioxide, methane and nitrous oxide). With the total audited area of 8,259.00 m^2 (2017: 8,126.80 m^2), the total annual GHG emissions intensity due to energy usage was 0.177 tCO_2-e/m^2 (2017: 0.175 tCO_2-e/m^2). The following table highlights the carbon footprint of the Group as at 30th September, 2018 and the year on year comparison.

		2018		2017		
Scope	**Sources of GHG emissions**	**GHG* emissions (in tCO_2-e)**	**Distribution**	**GHG* emissions (in tCO_2-e)**	**Distribution**	**% change**
1	Mobile – Unleaded petroleum consumed by the Group's motor vehicles	52.54	3.59%	48.59	3.42%	8.12%
2	Purchased electricity	1,238.52	84.71%	1,177.27	82.86%	5.20%
3	Disposal of paper waste	170.55		194.70		
	Fresh water processing	0.31	11.70%	0.27	13.72%	-12.31%
	Sewage water processing	0.13		0.03		
	Total GHG emissions	**1,462.05**		**1,420.86**		**2.90%**
	Carbon emission intensity	**0.177**		**0.175**		**0.01%**

* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

The total GHG emissions has been increased by 2.89% with the carbon emission intensity also being increased by 0.01% which is insignificant (from 0.175 to 0.177 in tCO_2-e/m^2) as compared to the last reporting period. The largest GHG emissions of the Group, with over 84%, was generated by scope 2 – indirect emissions, it was attributed to the electricity use of lightings, air-conditioning, and electrical appliances and equipment during operations. The Group has advocated various energy conservation strategies and management measures including the use of energy saving lighting fixtures and switching off unused air-conditioning, lightings, and equipment to reduce emissions. Furthermore, to strengthen energy saving awareness of employees, energy saving slogans have been posted at the entrances and power control switches to encourage energy saving practices.

Paper waste constituted about 11.67% of the Group's total GHG emissions at 170.55 tCO_2-e (2017: 194.70 tCO_2-e). The decrease in paper consumption of around 12% year on year was contributed by the effort of the employees in saving papers and the choice of using digital technology. Furthermore, the promotion and encouragement of increasing the recycling rate of the office paper recycling program, about 2.65 tonnes of paper (2017: 2.32 tonnes) related waste were recycled which helped to remove 12.71 tCO_2-e during the reporting period.

Air Emissions

Due to the business nature, the use of fragrance and aroma during operations would cause the emission of volatile organic compound, the major molecules that emitted or evaporated to the indoor environment would affect the indoor air quality (the "IAQ"). The Group shall consider developing guidelines which required more systematic planning and monitoring in the IAQ in all beauty service and medical beauty centres.

Hazardous Waste and Non-hazardous Waste Disposal and Reduction

The operations of beauty services mainly generate non-hazardous waste such as packaging waste and paper waste from administration and sales and marketing purposes. On the other hand, clinical waste generated from medical beauty services is classified as hazardous waste under the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). These include used syringes, medical container syringes, needles, cartridges, ampoules, sharp instruments, and surgical dressing and containers. They were properly disposed of in designated collection containers and were collected by licensed contractor for thermal incineration.

The following table summarised and compared the total waste being produced and disposed of year on year:

		2018 (in tonnes)	2017 (in tonnes)	% change
Hazardous waste	Clinical waste generated from medical beauty services	0.24	0.18	33.33%
Non-hazardous waste	Paper related waste	32.82	42.88#	-23.16%
	Packaging and advertising materials	22.52*	21.51	4.70%

Total paper related waste includes paper used for administration, sales and marketing which were entirely paper material.

* Total packaging waste includes packaging materials and advertising materials which were mixed with paper and plastic materials.

With the growing awareness towards waste reduction and simpler product packaging, the Group has been actively minimising packaging materials and recycling of plastic container. Besides, reuse of cleaned plastic container is in practice for beauty supplies in the beauty service centres.

Uses of Resources and the Environment

The Group's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main operations are taken place indoor, the direct impact from the Group's activities towards the environment and natural resources is minimal.

Energy Consumption – Electricity

The total electricity consumption was 1,822,587 Kilowatt-hour (kWh) (2017: 1,683,378 kWh), an increase of 8.27% year on year. With the total operation area of 8,259.00 m^2, the energy intensity was 220.68 kWh/m^2 (2017: 207.14 kWh/m^2). After further analysis, the increase in usage was not due to actual increase in electricity used but due to related data in the previous reporting period being sent by utilities company after the Group's financial cut-off date.

Fossil Fuel Consumption – Petroleum

A total of 22,248.76 litres of petroleum (2017: 20,576.66 litres) were being used by the Group's motor vehicles. Hence, the use of more efficient transportation methods or the use of electrical vehicles shall be considered to minimise the GHG emissions generated by transportation.

Water Consumption

The total fresh water used was 731.00 cubic meters ("m^3") (2017: 705.00 m^3) with water intensity of 0.75 m^3/m^2 (2017: 0.73 m^3/m^2) as derived from the beauty and spa services centres. Same as last reporting period, only some operation outlets with total floor area coverage of 969.20 m^2 were included in this section as some outlets are located in buildings and shopping malls where water usage was included in the management fee; thus, the figures were not available for carbon footprint calculation. The Group continues to use solenoid values in all spa outlets with the aim to prevent unintentional switching mistake that could cause water wastage and save this precious natural resource on earth.

Total Packaging Material Used for Finished Products

Various packaging materials were used for the packaging of finished beauty products. Packaging materials ranging from plastic wrapping, plastic bags, foam material and carton boxes were used for product protection and transportation. It was recorded that 17.47 tonnes of packaging materials were used during the reporting period.

The following table summarised the use of paper, advertising and packaging materials of the Group. It is worth noted that unlike the last reporting period, this period's advertising materials used more plastic materials than paper for printing, and there was an increase in the consumption of packaging materials. The Group will continue to monitor its consumption performance of the packaging materials as they will be disposed of by the final consumers and ended up in the landfill.

	2018 (in tonnes)	2017 (in tonnes)	% Change
Packaging materials used (plastic, foam, carton boxes)	17.47	15.93	9.67%
Advertising materials used (paper, plastic)	5.05	5.58	-9.50%
Paper used	32.82	42.88	-23.46%
Total paper recycled	2.65	2.32	14.22%

SOCIAL PERFORMANCE

Community Care

Charity Donation

The Group continued its community care by donating to the Hong Kong Quality Mentorship Network ("QMN"). QMN is a non-profit non-governmental organisation aims to promote a caring-adult culture through mentorship to help young people succeed in life.

CSR Award

Furthermore, the Group was awarded the Manpower Developer Award from the Employees Retraining Board which demonstrated its dedication in human capital development. Besides, the Group is committed to conducting business in every aspect to minimise any potential impact by continuously considering the community and performing its works in an environmentally friendly and sustainable way.

Employment Policies and Compliance

As at 30 September 2018, the total workforce of the Group was 707 (2017: 696) with a combination of 674 female and 33 male and the following age distribution:

	18-25	26-35	36-45	46-55	56 and above
2018	12%	35%	34%	11%	8%
2017	14%	37%	31%	10%	8%

The Group complies with related employment ordinance and labour laws in terms of employment, child and forced labour practices. The Group provides equal opportunities for employees regardless of their age, gender, family positions, sexual orientation, and race in respect of recruitment, training and development, job advancement, and remuneration and benefits. The Group has dedicated and competent workforce to support its business expansion strategies. The Group recognises and encourages its employees through a structured remuneration system to attract, retain, and incentivise them by ensuring that they are rewarded according to their work performance and job responsibility. A wide range of additional benefits such as medical insurance, allowance for education and transportation, staff discount for beauty services and beauty products, and birthday presents are also provided to the employees for a healthy and happy workforce.

Recruiting top-performing employees and keeping them happy is a priority of the Group, recruitment of employees is strictly abided by the hiring procedures and guidelines of the Group's Human Resource Department so that suitable talents are recruited in accordance to the job requirement, relevant laws, and candidates' expectation for a fair and sustainable workforce.

The following table highlights the annual turnover rate of the Group:

	18-25	26-35	36-45	46-55	56 and above
2018	11%	20%	14%	5%	5%
2017	12%	21%	12%	5%	3%

Recruiting and retaining employees have been seriously competitive and difficult in the industry. The Group has been actively engaged in nurturing and nourishing physical and internal beauty culture in the workforce to maintain a positive, happy and sustainable workforce. To encourage employee engagement, social media and internal communication platform are provided for easier communication. The internal newsletter "奧思匯聚" is used to cultivate sense of belonging, promote work-life balance, and strengthen the bond between employees.

The annual dinner organised by the Group is so much more than just a chance for employees to gather, it is a special event for the employees to foster team spirit and to promote creativity. It is also an occasion for the Group to show appreciation and recognition to their employees for their hard work during the year.

During the reporting period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

Occupational Health and Safety Policies and Compliance

The provision of a safe and healthy working environment and the well-being of employees are of ultimate priorities to the Group. Regular reviews are performed in accordance with the statutory and industrial requirements.

Through advocating various occupational health and safety measures such as ensuring proper equipment usage and maintenance, appropriate lighting, ventilation and noise level, and by communicating safety awareness through training, safety briefing and notice, a safe and healthy working environment is provided and maintained.

Furthermore, employees are provided with personal protection equipment such as uniform, safety goggles, face masks and gloves for protection and to ensure work safety. Duty supervisors in beauty services and medical beauty centres are responsible to ensure the safety compliance of employees.

The Group also emphasises on the safety of the equipment being used in the beauty centres by requiring its suppliers to provide periodic functional and safety checks and maintenance. During the reporting period, the Group did not violate any related health and safety regulations and ordinance.

Occupational Health and Safety Data	2018	2017
Number of work-related fatalities	0	0
Work injury cases with leave of absence >3 days	3	2
Work injury cases with leave of absence <3 days	3	6
Lost days due to work injury	17	42.5
Work injury rate	4.18	2.87

The work injury rate of the Group was 4.18 (2017: 2.87). The Group continues to enhance employees' safety awareness by communicating safety precautions tips through training, briefing, and notice. Equipment operating guidelines and procedures trainings are provided regularly to promote and enhance safety awareness and practices.

Human Capital Development and Training Policies

The Group believes that human capital is one of its most valuable assets. It is important to empower frontline employees to deliver exceptional customer experience through professional training to enhance their personal growth both intellectually and professionally. To strengthen employees' skillset and assist employees in developing their potential, comprehensive training programs are developed and provided to ensure employees received the relevant trainings for their needs and future career progression. A wide range of trainings from management skills, time management, communication skills, brand and product knowledge, equipment operating procedures, sales technique and relevant technical skills are provided during the year. An annual total of 7,306 hours of training were conducted.

	2018	2017
Total number of employee	707	696
Total training hours	7,306.00	7,824.50

Supply Chain Management

The quality and safety of beauty products and related beauty equipment and utensils are essential in the provision of exceptional customer service and is also the utmost mission of the Group. To guarantee the quality of services being rendered is maintained at a high standard, the procurement management system is designed and structured to oversee and manage processes from raw materials and ingredients selection, product formulation, packaging, quality management system in factory, transportation, and the final products and equipment being used for service delivery. Furthermore, to ensure the required supplies, materials and equipment are procured in an honest, competitive, fair, and transparent manner that delivers the highest quality and cost performance, the Group's systematic supplier management system is in place to manage its procurement planning, preparation of tenders supplier's selection standard, supplier's appointment and management so that suppliers are selected based upon rational and clear criteria.

The Group recognises the importance of using strategic suppliers who offer reliable, high quality, safe and technologically advanced products to meet the needs of its customers. Suppliers are being accessed based on selection criteria including reputation, production environmental and process, quality management system, regulatory requirement compliancy, operating capacity, sample availability for testing, packaging, delivery assurance, management's commitment, training policy and procedure, price, and product recall policy. Sourcing for suppliers must undergo supplier evaluation process to become the strategic supplier of the Group. The Group maintains good relationship with its suppliers to ensure service stability and product quality and it has a total of 44 (2017: 42) beauty related products and service and product suppliers in its approved suppliers' list. Suppliers from France, Switzerland, Spain, Germany, Italy, Monaco, Japan, Korea, Malaysia, Taiwan, PRC and Hong Kong are appointed.

Product Responsibility

Consumers in Hong Kong are getting more and more conscious on the safety and quality of beauty services and beauty products, the Group's service and product quality are guaranteed by its solid experience in the industry. A product recall policy is in place to ensure product safety and customer protection. A customer service hotline is also available to take enquires and feedback from customers for training and developing needs.

Quality Assurance Process

The Group is committed to provide innovative and high-quality beauty and wellness products and services to customers, beauty services using equipment are documented with proper procedures for employees to follow, equipment are maintained regularly, and refresher trainings are given to employees to ensure quality compliance. New and advanced beauty and spa equipment are procured to enhance their appeal and competitiveness. Considerable efforts are made on redefining service flow and upgrading customer experience to ensure professional and attentive services are provided.

Products and Service Related Complaints

The Group has always been keen to maintain its good brand quality, it has achieved a good record of zero product recall during the reporting period. A telephone hotline serviced by customer service representative is available to handle complaints. During the reporting period, there was no significant complaints in service quality and delivery.

Protecting Intellectual Property Rights

The Group owned and registered several trademarks, patents and domain names as they are important to its brand, its products and corporate image. The Group complies with the intellectual property (the "IP") rights regulations to protect the interest of the Group and its customers. The Group also requires its suppliers to comply with the IP rights for confidentiality and integrity. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

Consumer Data Protection and Privacy Policies

The Group is committed to maintaining a secure environment to ensure the entirety of information being collected are kept confidential. As stipulated in the Group's Code of Conduct on ethical policy, employees are instructed of their responsibility to ensure data is collected, used, maintained, managed, stored and handled properly and secured appropriately. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), with computers and servers are protected from access passwords, all personal data collected from employees, customers and suppliers are protected from outside parties.

Anticorruption Policies and Compliance

The Group is committed to support its corporate value by upholding its philosophy to manage all business with the highest standards of honesty, integrity, and fairness. As stipulated in the Group's Code of Conduct, all directors and employees must adhere to the ethical consideration when engaging in the Group's business activities and they shall not request from, obtain from, or provide benefits to customers, contractors, suppliers, or people with business relationship with the Group. The directors and employees are required to promptly declare to Human Resource Department of the Group about business and work-related situations that can be damaging to the Group such as corruption, conflict of interest, crimes, irregularities or other unexpected events.

Conflict of Interest

The Group requires its directors and employees to avoid the conflict between personal and financial interest and the professional official duties in the Group. A situation in which directors or employees exercise authority, influences decisions and actions or gain access to valuable information when dealing with customers, suppliers, contractors and colleagues with his profession to achieve financial and personal gain is strictly prohibited.

Preventive Measures and Whistle-blowing Procedures

The Group's Code of Conduct requires directors and employees to declare any conflict of interest by completing the required form as instructed by Human Resource Department. The Group encourages whistleblowing whereas an employee or a third party could report any concern about suspected misconduct, malpractice or irregularity, and conflict of interest in strict confidence. During the reporting period, communication was performed to ensure employees understand the Group's Code of Conduct and there were no related legal cases concluded against the Group in Hong Kong.

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, 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the provision of beauty services as well as the sales and distribution of retail skincare products in Hong Kong, Macau and PRC. These include the brands of Glycel Skinspa, Oasis Spa, Oasis Beauty, Oasis Homme and Oasis Medical under the beauty services operations as well as the brands of Glycel, Eurobeauté, Erno Laszlo, H2O+ and DermaSynergy under the retail operations.

Details of the Company's principal subsidiaries as at 30th September, 2018 are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

The business review of these activities and a discussion on the Group's future business development and analysis of the Group's performance during the year ended 30th September, 2018 using key performance indicators 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, 28 to 36 and 103 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

In addition, discussion on the Group's environmental policies and performance and the stakeholder relationships are contained in the Environmental, Social and Governance Report on pages 28 to 36 of 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, the 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, 2018 are set out in the consolidated statement of profit or loss on page 52.

The directors have recommended a final dividend of 5.5 HK cents per share for the year ended 30th September, 2018 payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 1st March, 2019. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on Tuesday, 12th March, 2019.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2018 are set out in note 26 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 56.

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2018 were measured using the fair value model, details of which are set out in note 17 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group are set out in note 18 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 103.

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, Prof. Wong Lung Tak, Patrick and Mr. Wong Chun Nam, Duffy 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, Prof. Wong Lung Tak, Patrick and Mr. Wong Chun Nam, Duffy have served as the independent non-executive directors of the Company for more than 9 years and their re-election at the forthcoming AGM will be subject to separate resolutions 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, 2018, 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Name of directors and chief executive	Name of companies in which interests are held	Capacity in which interests are held	Number and class of shares and underlying shares: 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	1.18%
Tam Chie Sang	The Company	Interest of spouse	–	164,897,760 ordinary[2]	–	164,897,760 ordinary	24.27%
	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	9,564,000 ordinary[2]	–	155,333,760 ordinary[2]	164,897,760 ordinary	24.27%
	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	1.18%
Wong Chun Nam, Duffy	The Company	Beneficial owner	600,000 ordinary	–	–	600,000 ordinary	0.09%
Tam Siu Kei[5]	The Company	Beneficial owner and interest of spouse	2,928,000 ordinary	2,294,000 ordinary[6]	–	5,222,000 ordinary	0.77%

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

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

Notes:

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

(2) 9,564,000 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, 5% owned by her husband, Mr. Tam Chie Sang and 20% owned by their son, Mr. Tam Yue Hung. On 22nd October, 2018, Mr. Tam Chie Sang transferred his 5% interests in Royalion Worldwide Limited to his spouse, Ms. Yu Lai Chu, Eileen. After transfer, Ms. Yu Lai Chu, Eileen and Mr. Tam Yue Hung owned 80% and 20% interests in Royalion Worldwide Limited respectively.

(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) Mr. Tam Siu Kei is appointed as the CEO of the Company with effect from 15th March, 2017.

(6) These shares are registered in the name of Ms. Leung Pui Yi, the wife of Mr. Tam Siu Kei.

As at 30th September, 2018, 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 27 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, 2018.

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

As at 30th September, 2018, 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

Name of shareholders	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of voting power
Yu Lai Si[(1)]	Beneficial owner/ Personal interest	166,113,760	24.45%
Zinna Group Limited[(2)]	Registered owner/ Personal interest	155,333,760	22.86%
Advance Favour Holdings Limited[(3)]	Registered owner/ Personal interest	77,666,880	11.43%
Billion Well Holdings Limited[(4)]	Registered owner/ Personal interest	77,666,880	11.43%
Lai Yin Ling[(3) & (4)]	Interest of controlled corporations/ Corporate interest	155,333,760	22.86%

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, 5% owned by her husband, Mr. Tam Chie Sang and 20% owned by their son, Mr. Tam Yue Hung. On 22nd October, 2018, Mr. Tam Chie Sang transferred his 5% interests in Royalion Worldwide Limited to his spouse, Ms. Yu Lai Chu, Eileen. After transfer, Ms. Yu Lai Chu, Eileen and Mr. Tam Yue Hung owned 80% and 20% interests in Royalion Worldwide Limited respectively.

(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, 2018, no other person or corporation (other than a director 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 or fellow 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, 2018.

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, 2018 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTION

Details of the related party transaction entered into by the Group during the year ended 30th September, 2018 are set out in note 36 to the consolidated financial statements.

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, other than a contract of service with any director of the Company or any person under the full employment of the Company, 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, 2018.

DONATIONS

For the year ended 30th September, 2018, the Group had made charitable and other donations amounting to HK$20,000 (2017: HK$5,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2018, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 51.9% and 32.3% of the Group's total purchase respectively, whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.6% of the Group's total turnover.

At all times during the year ended 30th September, 2018, 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, 2018, the distributable reserves of the Company amounted to approximately HK$43.0 million under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (2017: HK$41.2 million).

DIVIDEND POLICY

The Board considers sustainable returns to shareholders to be one of the main objectives. Stable dividend payment to shareholders is the primary objective of the Company. The basic policy is to pay interim and final dividends in each financial year.

Under the applicable laws of the Cayman Islands and the Articles of Association of the Company, all of the shareholders have equal rights to dividends and distributions. The Board determines the interim dividend and recommends the final dividend which requires the approval of shareholders. In addition to cash, dividends may be distributed in the form of shares. Any distribution of shares also requires the approval of shareholders.

Retained surplus is used to achieve further gains in corporate value. For this purpose, the Board makes effective use of retained surplus to strengthen the operating base and fund growth of established businesses and the development of new businesses. The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company will not declare any dividend(s) where:

- there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due;
- pursuant to dividend decision date, the Company is insolvent or bankrupt or where, as a result of paying dividends, the Company would be rendered insolvent or bankrupt; or
- there is any other case set forth by any law.

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, 2018 amounted to approximately HK$376.6 million (2017: HK$402.4 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2018, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$288.7 million (2017: HK$312.4 million), was approximately 5.8% (2017: 6.2%). Details of the secured mortgage loan are set out in note 25 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, 2018.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2018, the Group employed 764 staff (2017: 752 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 remuneration policy for the directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the directors and senior management members.

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

During the year ended 30th September, 2018, the Company bought back 88,000,000 shares for cancellation on 20th June, 2018 (the "Buy-back Shares") pursuant to a conditional cash offer which was made by Yu Ming Investment Management Limited on behalf of the Company in compliance with the Codes on Takeovers and Mergers and Share Buy-backs to buy back for cancellation up to the maximum number of shares, being 88,000,000 shares of the Company at the offer price of HK$0.80 per share. Save as aforesaid, 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, 2018.

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, 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the 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, 2018.

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 the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules since 20th June 2018 upon the cancellation of Buy-back Shares.

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, 2018 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 Lai Chu, Eileen
Executive Director

Hong Kong, 14th December, 2018

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF WATER OASIS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

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 52 to 102, which comprise the consolidated statement of financial position as at 30th September, 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30th September, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trademarks and goodwill	
We identified the impairment assessment of trademarks and goodwill as a key audit matter due to the significant judgments involved in the management's impairment assessment process. As disclosed in notes 15 and 16 to the consolidated financial statements, the carrying amount of trademarks and goodwill is HK$58,896,000 and HK$3,012,000 respectively as at 30th September, 2018. As set out in note 5 to the consolidated financial statements, in deciding whether trademarks (being the intangible asset with indefinite useful life) and goodwill were impaired or not requires the determination of the recoverable amount which requires estimation of the value in use of the cash generating unit ("CGU") on the trademarks and goodwill that had been allocated. In estimating the value in use of the CGU, key assumptions used by the management included the discount rate, budgeted sales and gross margin taking into account the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by management. The management of the Company determined that there was no impairment on the CGU containing trademarks and goodwill as at 30th September, 2018.	Our procedures in relation to the impairment assessment of trademarks and goodwill included: • Understanding how the management perform impairment assessment including the estimation of future cash flows and key assumptions used; • Evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including budgeted sales and gross margin through assessing the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by the management; • Assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data; • Evaluating the potential impact of value in use based on the reasonably possible change of the key assumptions used; and • Evaluating the historical accuracy of the cash flows forecast by comparing historical cash flows forecast to the actual results in the current year and understanding the causes of any significant variances.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significant judgments involved in determining the inputs used in the valuation. As disclosed in note 17 to the consolidated financial statements, the carrying amount of investment properties is HK$233,604,000 as at 30th September, 2018. The fair value of investment properties is based on valuation performed by an independent valuer. These valuations involve a significant degree of judgment and estimation in respect of the key unobservable inputs including market rentals and market yield, particularly given the lettable units and type of the properties.	Our procedures in relation to assess the valuation of investment properties included: • Obtaining an understanding of the valuation process including the valuation methodology and key inputs to the model with the involvement of the independent valuer; • Evaluating the competence, capabilities and objectivity of the independent valuer; and • Discussing the valuation with the independent valuer, assessing the valuation methodology applied and reasonableness of the key unobservable inputs used, which included market rentals and market yield, by comparing with market data and the related lease information of the Group.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 14th December, 2018

Consolidated Statement of Profit or Loss

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2018 HK$'000	2017 HK$'000
Turnover	6	**708,360**	644,831
Purchases and changes in inventories of finished goods		**(54,044)**	(52,416)
Other income		**8,575**	8,685
Other gains or losses	7	**2,524**	(1,482)
Staff costs	13	**(301,282)**	(285,844)
Depreciation of property and equipment		**(16,590)**	(16,396)
Finance costs	8	**(389)**	(455)
Other expenses		**(231,553)**	(211,202)
Profit before taxation		**115,601**	85,721
Taxation	9	**(20,490)**	(16,397)
Profit for the year	10	**95,111**	69,324
Profit (loss) for the year attributable to:			
Owners of the Company		**95,238**	69,331
Non-controlling interests		**(127)**	(7)
		95,111	69,324
Earnings per share			
Basic and diluted	11	**12.8 HK cents**	9.1 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2018	2017
	HK$'000	HK$'000
Profit for the year	**95,111**	69,324
Other comprehensive (expense) income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(806)**	457
Total comprehensive income for the year	**94,305**	69,781
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**94,411**	69,794
Non-controlling interests	**(106)**	(13)
	94,305	69,781

Consolidated Statement of Financial Position

	Notes	2018 HK$'000	2017 HK$'000
		AS AT 30TH SEPTEMBER,	
Non-current assets			
Intangible assets	15	**59,162**	59,184
Goodwill	16	**3,012**	3,012
Investment properties	17	**233,604**	230,738
Property and equipment	18	**76,287**	30,216
Rental deposits	19	**27,160**	27,335
Deferred tax assets	29	**4,103**	3,531
		403,328	354,016
Current assets			
Inventories	20	**36,903**	30,060
Trade receivables	21	**28,677**	28,087
Prepayments		**82,933**	71,139
Other deposits and receivables		**10,836**	11,560
Bank balances and cash	22	**376,571**	402,430
		535,920	543,276
Current liabilities			
Trade payables	23	**7,059**	7,109
Accruals and other payables		**74,152**	75,003
Receipts in advance	24	**516,196**	455,896
Secured mortgage loan – due within one year	25	**3,446**	3,125
Tax payable		**23,362**	15,046
		624,215	556,179
Net current liabilities		**(88,295)**	(12,903)
Total assets less current liabilities		**315,033**	341,113

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	26	**67,945**	76,395
Reserves		**213,762**	228,852
Equity attributable to owners of the Company		**281,707**	305,247
Non-controlling interests		**7,034**	7,140
Total equity		**288,741**	312,387
Non-current liabilities			
Secured mortgage loan – due after one year	25	**13,191**	16,375
Deferred tax liabilities	29	**13,101**	12,351
		26,292	28,726
		315,033	341,113

The consolidated financial statements on pages 52 to 102 were approved and authorised for issue by the Board of Directors on 14th December, 2018 and are signed on its behalf by:

YU Lai Chu, Eileen
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, 2016	76,395	38,879	22,792	(1,766)	450	1,797	94	(589)	140,905	278,957	7,153	286,110
Profit (loss) for the year	–	–	–	–	–	–	–	–	69,331	69,331	(7)	69,324
Exchange differences arising on translation of foreign operations	–	–	463	–	–	–	–	–	–	463	(6)	457
Total comprehensive income (expense) for the year	–	–	463	–	–	–	–	–	69,331	69,794	(13)	69,781
2016 final dividend paid	–	–	–	–	–	–	–	–	(15,279)	(15,279)	–	(15,279)
2017 interim dividend paid	–	–	–	–	–	–	–	–	(30,558)	(30,558)	–	(30,558)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	2,427	–	–	2,427	–	2,427
Reversal of equity-settled share-based payment expenses upon lapse of share options	–	–	–	–	–	–	(94)	–	–	(94)	–	(94)
	–	–	–	–	–	–	2,333	–	(45,837)	(43,504)	–	(43,504)
At 30th September, 2017	76,395	38,879	23,255	(1,766)	450	1,797	2,427	(589)	164,399	305,247	7,140	312,387
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**95,238**	**95,238**	**(127)**	**95,111**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(827)**	**–**	**–**	**–**	**–**	**–**	**–**	**(827)**	**21**	**(806)**
Total comprehensive (expense) income for the year	**–**	**–**	**(827)**	**–**	**–**	**–**	**–**	**–**	**95,238**	**94,411**	**(106)**	**94,305**
2017 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,618)**	**(30,618)**	**–**	**(30,618)**
2018 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,384)**	**(20,384)**	**–**	**(20,384)**
Issue of shares upon exercise of share options (note 26)	**350**	**3,667**	**–**	**–**	**–**	**–**	**(566)**	**–**	**–**	**3,451**	**–**	**3,451**
Share repurchased and cancelled (note 26)	**(8,800)**	**(42,546)**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,054)**	**(70,400)**	**–**	**(70,400)**
	(8,450)	**(38,879)**	**–**	**–**	**–**	**–**	**(566)**	**–**	**(70,056)**	**(117,951)**	**–**	**(117,951)**
At 30th September, 2018	**67,945**	**–**	**22,428**	**(1,766)**	**450**	**1,797**	**1,861**	**(589)**	**189,581**	**281,707**	**7,034**	**288,741**

(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,	
	2018	2017
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**115,601**	85,721
Adjustments for:		
Allowance for doubtful debts of other receivables	**–**	1,669
Amortisation of intangible assets	**115**	115
Depreciation of property and equipment	**16,590**	16,396
Gain on fair value change of investment properties	**(2,866)**	(1,189)
Interest expenses on secured mortgage loan	**389**	455
Interest income on bank deposits	**(4,012)**	(2,498)
Interest income on overdue rental income	**–**	(409)
Net loss on disposal/write-off of property and equipment	**488**	1,359
Equity-settled share-based payment expenses	**–**	2,427
Reversal of equity-settled share-based payment expenses upon lapse of share options	**–**	(94)
Operating cash flows before movements in working capital	**126,305**	103,952
(Increase) decrease in inventories	**(6,861)**	2,315
Increase in trade receivables	**(590)**	(4,076)
Increase in rental deposits, prepayments, other deposits and receivables	**(11,109)**	(7,942)
(Decrease) increase in trade payables	**(50)**	1,985
(Decrease) increase in accruals and other payables	**(853)**	4,275
Increase in receipts in advance	**60,892**	75,508
Cash generated from operations	**167,734**	176,017
Hong Kong Profits Tax paid	**(9,676)**	(10,706)
Hong Kong Profits Tax refunded	**–**	222
The PRC Enterprise Income Tax paid	**(2,294)**	(2,317)
The PRC Enterprise Income Tax refunded	**–**	193
Net cash from operating activities	**155,764**	163,409

Consolidated Statement of Cash Flows
(Continued)

	For the year ended 30th September, 2018 HK$'000	For the year ended 30th September, 2017 HK$'000
Investing activities		
Purchase of property and equipment	**(63,771)**	(15,194)
Additions in intangible assets	**(101)**	(149)
Interest received on bank deposits	**4,012**	2,367
Proceeds on disposal of property and equipment	**617**	135
Net cash used in investing activities	**(59,243)**	(12,841)
Financing activities		
Payment on repurchase of shares	**(70,400)**	–
Dividends paid	**(51,002)**	(45,837)
Repayment of secured mortgage loan	**(2,863)**	(3,058)
Interest paid on secured mortgage loan	**(359)**	(455)
Proceeds from issue of shares upon exercise of share options	**3,451**	–
Net cash used in financing activities	**(121,173)**	(49,350)
Net (decrease) increase in cash and cash equivalents	**(24,652)**	101,218
Cash and cash equivalents at beginning of the year	**402,430**	300,544
Effect of foreign exchange rate changes	**(1,207)**	668
Cash and cash equivalents at end of the year, represented by bank balances and cash	**376,571**	402,430

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 People's Republic of China (the "PRC") and 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 also 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, 2018, 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)")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosures in note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs and interpretations in issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 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, 2019.

[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, 2021.

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

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

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30th September, 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Debt instruments classified as loans and receivables carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

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

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

HKFRS 9 "Financial Instruments" (Continued)

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, there would be no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1st October, 2018 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables.

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.

In 2016, the HKICPA issued classifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30th September, 2018, the Group had non-cancellable operating lease commitments of HK$160,704,000 as disclosed in Note 31(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs and interpretations will have no material impact on the Group's financial performance and financial positions and/or the disclosures to the consolidated financial statements of the Group in foreseeable future.

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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 and 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after re-attiribution of the relevant equity component, 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Investment Properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair 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.

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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land and building is under a finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on tangible and intangible assets other than goodwill 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 on tangible and intangible assets other than goodwill 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.

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 relevant 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 of disposal 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 (or a cash generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 instruments.

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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other 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 or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment 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

Debt 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 (including all fees or received the form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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 27.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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 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 assessment of trademarks and goodwill

In deciding whether trademarks (being the intangible asset with indefinite useful life) and goodwill were impaired or not requires the determination of the recoverable amount which requires estimation of the value in use of the cash generating unit ("CGU") on the trademarks and goodwill that had been allocated. It requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The use of key assumptions include the discount rate, budgeted sales and gross margin taking into account the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by the management. 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. Based on the assessment made by the management of the Company, no impairment was identified as at 30th September, 2018 and 2017.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Valuation of investment properties

Investment properties were carried at its fair value in the consolidated statement of financial position as at 30th September, 2018 and 2017. Details of which are disclosed in note 17. The fair value of the investment properties were determined by reference to valuations conducted on these properties by an independent valuer using property valuation methodology which involve certain assumptions. In determining the fair value, the independent valuer considered key inputs including market rentals and market yield taking into account the lettable units and other similar types of properties under income approach.

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 gain or loss on fair value change of investment properties reported in the consolidated statement of profit or loss and the carrying amount of the investment properties included in the consolidated statement of financial position.

6. 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 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 salons, spas, medical beauty centres and other businesses

Turnover recognised during the year are as follows:

	2018 HK$'000	2017 HK$'000
Turnover		
Retail segment	**147,462**	140,527
Services segment	**560,898**	504,304
	708,360	644,831

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.

6. 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	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Sales to external customers	147,462	140,527	560,898	504,304	–	–	708,360	644,831
Inter-segment sales	22,803	20,284	–	–	(22,803)	(20,284)	–	–
Total	170,265	160,811	560,898	504,304	(22,803)	(20,284)	708,360	644,831
Segment results	39,936	36,187	147,878	114,616	–	–	187,814	150,803
Other income							8,575	8,685
Other gains or losses							2,524	(1,482)
Finance costs							(389)	(455)
Central administrative costs							(82,923)	(71,830)
Profit before taxation							115,601	85,721

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	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	2,622	3,321	13,968	13,075	16,590	16,396
Amortisation of intangible assets	115	115	–	–	115	115

6. 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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong and Macau	**684,117**	621,060	**335,758**	286,842
The PRC	**24,243**	23,771	**1,559**	1,735
	708,360	644,831	**337,317**	288,577

Information about major customers

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

7. OTHER GAINS OR LOSSES

	2018 HK$'000	2017 HK$'000
Gain on fair value change of investment properties	**2,866**	1,189
Net loss on disposal/write-off of property and equipment	**(488)**	(1,359)
Net exchange gain	**146**	357
Allowance for doubtful debts of other receivables (note)	**–**	(1,669)
	2,524	(1,482)

note: For the year ended 30th September, 2017, the Group recognised an impairment loss in respect of rental receivables (included in other receivables) of approximately HK$1,669,000 (2018: nil) as a result of the lessee's unpaid rental payments.

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on secured mortgage loan	**389**	455

9. TAXATION

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong Profits Tax	**18,152**	13,818
The PRC Enterprise Income Tax ("EIT")	**2,802**	1,917
Over provision in prior years	**(638)**	(337)
	20,316	15,398
Deferred taxation (note 29)	**174**	999
	20,490	16,397

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The PRC EIT was calculated at the statutory income tax rate of 25% (2017: 25%) on the assessable profits.

Withholding tax has been imposed on dividends declared in respect 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 29.

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:

	2018 HK$'000	2017 HK$'000
Profit before taxation	**115,601**	85,721
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**19,074**	14,144
Effect of different tax rates applied in other jurisdictions	**523**	779
Tax effect of income not taxable for tax purpose	**(1,093)**	(606)
Tax effect of expenses not deductible for tax purpose	**1,839**	2,259
Utilisation of tax losses previously not recognised	**(1,134)**	(1,931)
Tax effect of tax losses not recognised	**1,230**	768
Over provision in prior years	**(638)**	(337)
Tax effect of withholding tax arising from undistributed profits of subsidiaries	**497**	557
Income tax at concessionary rate	**(165)**	–
Others	**357**	764
Taxation for the year	**20,490**	16,397

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,281**	1,230
Amortisation of intangible assets	**115**	115
Bank charges	**29,282**	27,054
Marketing expenses	**29,595**	18,450
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**103,229**	104,990
– contingent rents	**3,397**	2,330
and after crediting:		
Interest income on bank deposits	**4,012**	2,498
Interest income on overdue rental income	**–**	409
Rental income from investment properties net of negligible direct operating expenses	**4,176**	5,296

11. 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:

	2018 HK$'000	2017 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**95,238**	69,331

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purposes of basic earnings per share	**741,214,408**	763,952,764
Effect of dilutive potential ordinary shares – share options of the Company	**109,713**	345,050
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**741,324,121**	764,297,814

12. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim dividend declared and paid of 3.0 HK cents (2017: 4.0 HK cents) per share	**20,384**	30,558
Final dividend proposed after the end of the reporting period of 5.5 HK cents (2017: 4.0 HK cents) per share	**37,425**	30,618
	57,809	61,176

12. DIVIDENDS (Continued)

The 2018 final dividend of 5.5 HK cents (2017: 4.0 HK cents) per share, amounting to approximately HK$37,425,000 (2017: HK$30,618,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the annual 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, 2018 were approximately HK$51,002,000 (2017: HK$45,837,000).

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK$'000	2017 HK$'000
Wages, salaries, bonuses and allowances	**290,967**	273,457
Pension costs – defined contribution plans	**10,315**	10,054
Equity-settled share-based payment expenses	**–**	2,333
	301,282	285,844

14. 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 HK$'000	Basic salaries HK$'000	Bonuses HK$'000	Retirement benefit costs HK$'000	Equity-settled share-based payment expenses HK$'000	2018 Total emoluments HK$'000	2017 Total emoluments HK$'000
Yu Kam Shui, Erastus(4)(6)	–	897	1,363	–	–	**2,260**	1,477
Tam Chie Sang	–	897	1,363	3	–	**2,263**	1,495
Yu Lai Chu, Eileen	–	897	1,363	–	–	**2,260**	1,489
Lai Yin Ping	–	897	1,363	18	–	**2,278**	1,495
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
Tam Siu Kei, Alan(7)	–	4,067	575	18	–	**4,660**	1,884
Wong Man Lai, Stevie(8)	–	–	–	–	–	**–**	2,472
Total for the year 2018	600	7,655	6,027	39	–	**14,321**	
Total for the year 2017	600	8,018	2,320	68	(94)		10,912

(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) Appointed as the Chief Executive Officer with effect from 15th March, 2017
(8) Resigned as the Chief Executive Officer with effect from 15th March, 2017

Details of the Company's share option scheme are disclosed in note 27.

14. 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 (2017: none) was a director of the Company. Emoluments payable to the five (2017: five) individuals during the year were as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries and other allowances	**18,257**	17,550
Bonuses	**1,004**	2,250
Equity-settled share-based payment expenses	**–**	1,618
Retirement benefit costs	**90**	90
	19,351	21,508

Their emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 or above	**1**	2
	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.

15. INTANGIBLE ASSETS

	Licence fees HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1st October, 2016	1,255	58,896	60,151
Additions	149	–	149
Write-off	(1,036)	–	(1,036)
Exchange realignment	8	–	8
At 30th September, 2017	376	58,896	59,272
Additions	**101**	**–**	**101**
Write-off	**–**	**–**	**–**
Exchange realignment	**(16)**	**–**	**(16)**
At 30th September, 2018	**461**	**58,896**	**59,357**
ACCUMULATED AMORTISATION			
At 1st October, 2016	1,007	–	1,007
Charged for the year	115	–	115
Eliminated on write-off	(1,036)	–	(1,036)
Exchange realignment	2	–	2
At 30th September, 2017	88	–	88
Charged for the year	**115**	**–**	**115**
Eliminated on write-off	**–**	**–**	**–**
Exchange realignment	**(8)**	**–**	**(8)**
At 30th September, 2018	**195**	**–**	**195**
CARRYING VALUE			
At 30th September, 2018	**266**	**58,896**	**59,162**
At 30th September, 2017	288	58,896	59,184

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 16. In the opinion of the management, the trademarks have no impairment for both years.

16. GOODWILL

	HK$'000
COST AND CARRYING VALUE	
At 1st October, 2016, 30th September, 2017 and 30th September, 2018	3,012

The goodwill of HK$3,012,000 is attributable to the 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 15 which were acquired in the same business combination during the year ended 30th September, 2010. As at 30th September, 2018 and 2017, the recoverable amount of the CGU was determined based on a value in use calculation. That calculation uses discounted cash flows projections based on the future 5 years' financial forecast approved by the management and a discount rate of 16% (2017: 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, 2018 and 2017, 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.

17. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
FAIR VALUE		
At the beginning of the year	**230,738**	229,549
Increase in fair value recognised in the consolidated statement of profit or loss	**2,866**	1,189
At the end of the year	**233,604**	230,738

17. INVESTMENT PROPERTIES (Continued)

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

	2018 HK$'000	2017 HK$'000
In Hong Kong	**233,604**	230,738

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, 2018 and 2017 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 market yield is determined by reference to the discount rates derived from similar commercial properties in Hong Kong. There has been no change from the valuation methodology 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, 2018 and 2017:

Category	Fair value hierarchy	Fair value at 2018 HK$'000	Fair value at 2017 HK$'000	Valuation methodology	Key unobservable inputs	Range of unobservable inputs 2018	Range of unobservable inputs 2017	Relationship of unobservable inputs to fair value
Commercial properties	Level 3	**233,604**	230,738	Income approach	Monthly market rental per square foot	**HK$89 to HK$370**	HK$74 to HK$370	The higher the market rental, the higher the fair value
					Market yield	**2.5% to 3.5%**	2.5% to 3.5%	The lower the market yield, the higher the fair value

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

18. PROPERTY AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'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, 2016	–	100,181	3,360	9,279	67,771	9,503	190,094
Additions	–	5,386	599	159	8,931	119	15,194
Disposals	–	–	(649)	–	(518)	–	(1,167)
Write-off	–	(4,090)	–	(490)	(1,629)	(191)	(6,400)
Exchange realignment	–	76	–	(4)	53	3	128
At 30th September, 2017	–	101,553	3,310	8,944	74,608	9,434	197,849
Additions	**34,518**	**18,307**	**1,485**	**393**	**8,614**	**454**	**63,771**
Disposals	**–**	**–**	**(726)**	**–**	**(1,905)**	**–**	**(2,631)**
Write-off	**–**	**(6,081)**	**–**	**(27)**	**(1,491)**	**(45)**	**(7,644)**
Exchange realignment	**–**	**(145)**	**–**	**(3)**	**(96)**	**(5)**	**(249)**
At 30th September, 2018	**34,518**	**113,634**	**4,069**	**9,307**	**79,730**	**9,838**	**251,096**
Accumulated depreciation							
At 1st October, 2016	–	84,636	2,417	8,548	52,664	8,926	157,191
Provided for the year	–	9,021	798	390	5,884	303	16,396
Eliminated on disposals	–	–	(569)	–	(518)	–	(1,087)
Eliminated on write-off	–	(4,090)	–	(490)	(218)	(188)	(4,986)
Exchange realignment	–	76	–	(4)	46	1	119
At 30th September, 2017	–	89,643	2,646	8,444	57,858	9,042	167,633
Provided for the year	**100**	**8,998**	**568**	**347**	**6,371**	**206**	**16,590**
Eliminated on disposals	**–**	**–**	**(726)**	**–**	**(1,805)**	**–**	**(2,531)**
Eliminated on write-off	**–**	**(6,047)**	**–**	**(23)**	**(526)**	**(43)**	**(6,639)**
Exchange realignment	**–**	**(145)**	**–**	**(3)**	**(91)**	**(5)**	**(244)**
At 30th September, 2018	**100**	**92,449**	**2,488**	**8,765**	**61,807**	**9,200**	**174,809**
Carrying value							
At 30th September, 2018	**34,418**	**21,185**	**1,581**	**542**	**17,923**	**638**	**76,287**
At 30th September, 2017	–	11,910	664	500	16,750	392	30,216

18. 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 land and building	3½%
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%

19. RENTAL DEPOSITS

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

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods – merchandises	**36,903**	30,060

21. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**29,266**	28,676
Less: allowances for bad and doubtful debts	**(589)**	(589)
Total trade receivables	**28,677**	28,087

The Group generally allows its trade debtors' credit terms of 30 days to 120 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:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**28,654**	28,026
61 days to 90 days	**–**	2
Over 120 days	**23**	59
	28,677	28,087

21. TRADE RECEIVABLES (Continued)

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$23,000 (2017: HK$59,000) which were aged over 120 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:

	2018 HK$'000	2017 HK$'000
Balance at beginning and end of the year	**589**	589

22. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 1.4% (2017: 0.8%) per annum.

23. TRADE PAYABLES

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

	2018 HK$'000	2017 HK$'000
0 to 30 days	**7,059**	7,109

The 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.

24. 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.

25. SECURED MORTGAGE LOAN

	2018 HK$'000	2017 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,446**	3,125
Non-current liabilities	**13,191**	16,375
	16,637	19,500

25. SECURED MORTGAGE LOAN (Continued)

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

	2018 HK$'000	2017 HK$'000
Within 1 year	**3,446**	3,125
1 year to less than 2 years	**3,257**	3,191
2 years to less than 3 years	**3,332**	3,261
3 years to less than 4 years	**3,409**	3,332
4 years to less than 5 years	**3,193**	3,405
5 years or more	**–**	3,186
	16,637	19,500
Less: Amount due within one year shown under current liabilities	**(3,446)**	(3,125)
Amount shown under non-current liabilities	**13,191**	16,375

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK$233,604,000 as at 30th September, 2018 (2017: HK$230,738,000). It bears interest at 2.85% (2017: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.275% (2017: 2.15%) per annum.

26. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st October, 2016, 30th September, 2017, 1st October, 2017 and 30th September, 2018	2,000,000,000	200,000
Issued and fully paid:		
At 1st October, 2016, 30th September, 2017 and 1st October, 2017	763,952,764	76,395
Exercise of share options (note (a))	3,500,000	350
Shares repurchased and cancelled (note (b))	(88,000,000)	(8,800)
At 30th September, 2018	679,452,764	67,945

26. SHARE CAPITAL (Continued)

Notes:

(a) During the year ended 30th September, 2018, 3,500,000 (2017: nil) ordinary shares of HK$0.1 each in the Company were issued upon the exercise of the share options under the share option scheme of the Company as set out in note 27 with proceeds of approximately HK$3,451,000 (2017: nil).

(b) On 25th May, 2018, the Company passed an ordinary resolution on a conditional cash offer to the shareholders of the Company to buy back up to 88,000,000 shares of the Company at an offer price HK$0.80 per share. On 20th June, 2018, the Company completed the buy-back of 88,000,000 of its own shares at an aggregate amount of HK$70,400,000. The buy-back shares were cancelled on 20th June, 2018 and the issued share capital of the Company was reduced by nominal value thereof.

27. 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 which is 76,395,276 shares, 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.

27. SHARE OPTIONS (Continued)

Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the number of shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of such options is made to (and subject to acceptance by) such person under the relevant scheme, in excess of HK$5 million, such further grant of share options shall be subject to prior approval by resolution of the shareholders of the Company (voting by way of poll).

An offer shall remain open for acceptance by the participant concerned for 14 days from the date of grant. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of share option.

As at 30th September, 2018, a total of 11,500,000 shares (representing approximately 1.69% 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. As at the date of this report, there were total of 56,395,276 shares available for issue under the Share Option Scheme, which representing approximately 8.30% of the existing issued share capital of the Company.

(I) Movement of Share Options

	Number of Share Options										Closing Price of Shares		
Eligible participants	As at 1st October, 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 30th September, 2018	Date of grant	Vesting period	Exercise period	Exercise price	Before date of grant	Before date of exercise (weighted average)	At date of exercise (weighted average)
Employees	15,000,000	–	(3,500,000)	–	–	11,500,000	10th August, 2017	10th August, 2017 to 31st August, 2017	1st September, 2017 to 31st August, 2019	HK$0.986	HK$0.96	HK$1.24	HK$1.19
Total	15,000,000	–	(3,500,000)	–	–	11,500,000							

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

	2018		2017	
	Number of share options	**Weighted average exercise prices**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**15,000,000**	**HK$0.986**	5,000,000	HK$0.495
Granted during the year	**–**	**–**	15,000,000	HK$0.986
Exercised during the year	**(3,500,000)**	**HK$0.986**	–	–
Cancelled during the year	**–**	**–**	–	–
Lapsed during the year	**–**	**–**	(5,000,000)	HK$0.495
Outstanding at the end of the year	**11,500,000**	**HK$0.986**	15,000,000	HK$0.986
Exercisable at the end of the year	**11,500,000**	**HK$0.986**	15,000,000	HK$0.986

27. 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 KMA Consulting Limited, using the Binomial Option Pricing Model with the following assumptions:

Date of grant	:	10th August, 2017
Share price at date of grant	:	HK$0.95
Exercise price	:	HK$0.986
Risk-free interest rate	:	0.82%
Expected dividend yield	:	6.84%
Expected volatility	:	43.00%
Expected life (years)	:	2.058

Based on the above assumptions, the estimated fair value of each share option was HK$0.1618. The Binomial Option Pricing 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 net expense of approximately HK$2,333,000 for the year ended 30th September, 2017 (2018: nil) in relation to share option granted by the Company.

During the year ended 30th September, 2017, equity-settled share-based payment expenses of HK$94,000 (2018: nil) previously recognised in profit or loss were reversed in the consolidated statement of profit or loss under the Share Option Scheme with reference to the share options lapsed prior to their vesting dates.

28. PENSION OBLIGATIONS

Defined Contribution Plans

The Group participates 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.

29. DEFERRED TAXATION

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

	Decelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Receipts in advance HK$'000	Total HK$'000
At 1st October, 2016	2,143	(9,718)	(1,260)	1,040	(7,795)
Exchange realignment	–	–	(39)	13	(26)
Charged to the consolidated statement of profit or loss	(270)	–	(557)	(172)	(999)
At 30th September, 2017	1,873	(9,718)	(1,856)	881	(8,820)
Exchange realignment	**–**	**–**	**79**	**(83)**	**(4)**
(Charged) credited to the consolidated statement of profit or loss	**(829)**	**–**	**(497)**	**1,152**	**(174)**
At 30th September, 2018	**1,044**	**(9,718)**	**(2,274)**	**1,950**	**(8,998)**

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:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**4,103**	3,531
Deferred tax liabilities	**(13,101)**	(12,351)
	(8,998)	(8,820)

At the end of the reporting period, the Group had unused tax losses of approximately HK$83,321,000 (2017: HK$133,549,000) available for offset against future profits. No deferred tax asset had been recognised due to the unpredictability of future profit streams for both years ended 30th September, 2018 and 2017.

At the end of the reporting period, tax losses of approximately HK$42,929,000 (2017: HK$92,259,000) from overseas subsidiaries will be expired starting from 2019 up to the end of 2023 (2017: starting from 2018 up to the end of 2022). Other unused tax losses may be carried forward indefinitely.

30. 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:

	2018 HK$'000	2017 HK$'000
Investment properties	**233,604**	230,738

31. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**3,539**	3,330

(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**	2018 HK$'000	2017 HK$'000
Not later than 1 year	**4,289**	5,009
More than 1 year but not later than 5 years	**5,320**	1,868
	9,609	6,877

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

As lessees **Rental payments**	2018 HK$'000	2017 HK$'000
Not later than 1 year	**86,331**	93,793
More than 1 year but not later than 5 years	**74,373**	59,566
	160,704	153,359

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.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Secured mortgage loan HK$'000	Dividend payable HK$'000	Total HK$'000
At 1st October, 2017	19,500	–	19,500
Financing cash flows	**(2,863)**	**(51,002)**	**(53,865)**
Dividend declared	**–**	**51,002**	**51,002**
At 30th September, 2018	**16,637**	**–**	**16,637**

33. 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 25 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.

34. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**407,244**	432,230
Financial liabilities		
Amortised cost	**30,235**	32,630

34. FINANCIAL INSTRUMENTS (Continued)

(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.

(i) Credit Risk

As at 30th September, 2018, 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% (2017: 99%) of the total trade receivables as at 30th September, 2018.

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:

	2018 **HK$'000**	2017 HK$'000
Assets		
United States Dollar ("US$")	**58,184**	41,743
Liabilities		
US$	**5,418**	5,337

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

34. 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 22 and 25, 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 25.

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:

	2018 HK$'000	2017 HK$'000
Financial assets	**15,297**	16,250
Financial liabilities	**16,637**	19,500

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, 2018 would decrease by HK$69,000 (2017: HK$81,000) 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.

34. 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, 2017 and 30th September, 2018, 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, 2018 HK$'000
2018								
Trade payables	–	4,337	2,722	–	–	–	7,059	7,059
Other payables	–	6,539	–	–	–	–	6,539	6,539
Secured mortgage loan	2.275	586	587	2,643	13,800	–	17,616	16,637
		11,462	3,309	2,643	13,800	–	31,214	30,235

	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, 2017 HK$'000
2017								
Trade payables	–	4,505	2,604	–	–	–	7,109	7,109
Other payables	–	6,014	7	–	–	–	6,021	6,021
Secured mortgage loan	2.15	293	585	2,635	14,052	3,220	20,785	19,500
		10,812	3,196	2,635	14,052	3,220	33,915	32,630

34. 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.

35. 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 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%	Operation of spa and provision of beauty services in Hong Kong

35. 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%	Online sales of skincare products and provision of other service 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%	Operation of an online florist shop in Hong Kong
Water Oasis (Macau) Company Limited	Macau 19th July, 2001	Ordinary shares MOP$25,000	100%	Operation of beauty services and sales of skincare products in Macau
Oasis Beauty Company Limited	Hong Kong 13th March, 2002	Ordinary shares HK$1,000,000	100%	Operation of beauty salons and sales of skincare products 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)*	The PRC 9th February, 2002	US$200,000	90.1%	Inactive
奧泉(上海)商貿有限公司 *(Note)*	The PRC 9th March, 2006	US$200,000	100%	Retail sales of skincare products and operating of beauty salons in the PRC
Top Distinct Limited	Hong Kong 26th January, 2006	Ordinary shares HK$2,000,000	100%	Operation of beauty salons in Hong Kong

35. 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
Oasis Medical Clinic Company Limited	Hong Kong 6th November, 2007	Ordinary share HK$1	100%	Operation of beauty salons and provision of other related services in Hong Kong
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)*	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)*	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)*	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 *(Note)*	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

35. 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: These companies are wholly foreign owned enterprises.

36. RELATED PARTY TRANSACTION

(a) Travelling Expenses

	2018 HK$'000	2017 HK$'000
Travelling expenses paid to:		
– Hip Holiday Limited	**51**	224

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

	2018 HK$'000	2017 HK$'000
Basic salaries	**7,655**	8,018
Bonuses	**6,027**	2,320
Retirement benefit costs	**39**	68
Equity-settled share-based payment expenses	**–**	(94)
	13,721	10,312

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.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	AS AT 30TH SEPTEMBER, 2018 HK$'000	2017 HK$'000
Non-current asset			
Investment in a subsidiary		**3,000**	3,000
Current assets			
Prepayments		**292**	449
Amounts due from subsidiaries	a	**109,221**	156,592
Bank balances		**1,473**	1,795
		110,986	158,836
Current liability			
Accruals and other payables		**693**	2,490
Net current assets		**110,293**	156,346
Total assets less current liability		**113,293**	159,346
Capital and reserves			
Share capital		**67,945**	76,395
Reserves	b	**45,348**	82,951
Total equity		**113,293**	159,346

Notes:

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

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

(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, 2016	38,879	450	94	27,248	66,671
Profit and total comprehensive income for the year	–	–	–	59,784	59,784
2016 final dividend paid	–	–	–	(15,279)	(15,279)
2017 interim dividend paid	–	–	–	(30,558)	(30,558)
Recognition of equity-settled share-based payment expenses	–	–	2,427	–	2,427
Reversal of equity-settled share-based payment expenses upon lapse of share options	–	–	(94)	–	(94)
At 30th September, 2017	38,879	450	2,427	41,195	82,951
Profit and total comprehensive income for the year	**–**	**–**	**–**	**71,898**	**71,898**
2017 final dividend paid	**–**	**–**	**–**	**(30,618)**	**(30,618)**
2018 interim dividend paid	**–**	**–**	**–**	**(20,384)**	**(20,384)**
Issue of shares upon exercise of share options	**3,667**	**–**	**(566)**	**–**	**3,101**
Share repurchased and cancelled	**(42,546)**	**–**	**–**	**(19,054)**	**(61,600)**
At 30th September, 2018	**–**	**450**	**1,861**	**43,037**	**45,348**

38. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

Five-Year Financial Summary

	Year ended 30th September,				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**708,360**	644,831	626,823	691,681	679,049
Profit before taxation	**115,601**	85,721	40,936	68,532	65,230
Taxation	**(20,490)**	(16,397)	(11,936)	(16,043)	(19,666)
Profit for the year	**95,111**	69,324	29,000	52,489	45,564
Profit (loss) for the year attributable to:					
Owners of the Company	**95,238**	69,331	29,063	50,563	47,930
Non-controlling interests	**(127)**	(7)	(63)	1,926	(2,366)
	95,111	69,324	29,000	52,489	45,564
STATEMENT OF FINANCIAL POSITION					
Total assets	**939,248**	897,292	788,516	750,821	734,059
Total liabilities	**(650,507)**	(584,905)	(502,406)	(466,028)	(431,315)
	288,741	312,387	286,110	284,793	302,744
Equity attributable to					
Owners of the Company	**281,707**	305,247	278,957	277,583	296,761
Non-controlling interests	**7,034**	7,140	7,153	7,210	5,983
	288,741	312,387	286,110	284,793	302,744

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

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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P.O. Box 2681
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