Water **Oasis** Group Limited
奧 思 集 團 有 限 公 司
Stock Code 股份代號：1161

同進共創
Brighter and Better
更好未來

INTERIM REPORT 中期報告 2019

CONTENTS

The board of directors (the "Board") of Water Oasis Group Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 31st March, 2019.

The unaudited consolidated results have been reviewed by the Company's Audit Committee and the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The independent auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

Results and Dividend

For the six months ended 31st March, 2019, the Group's turnover rose by 4.0% by comparison with the same period last year, to approximately HK$381.3 million (six months ended 31st March, 2018: HK$366.5 million). This rise reflected a further shift in the sales mix towards the services side of the Group's business, as well as the introduction of a number of new beauty treatment options that proved attractive to clients. It also reflected the fact that the Group closed some retail stores in the period, and that the Hong Kong retail market was generally soft in the period. The Group's gross profit margin also improved slightly, rising to 92.7% as against 91.9% for the same period last year, again reflecting the increased contribution of its services sector.

Counteracting these rises were two factors that affected bottom-line profitability. One was the Group's increasing capital expenditure costs in relation to its investment in new store openings and renovations of existing stores, which in turn led to higher depreciation expenses as well as higher staff costs. In addition, the valuation of investment properties owned by the Group this period saw property values remain unchanged, by comparison with last year's significant rise. The outcome of all this was that profit for the period was HK$55.0 million, against HK$60.4 million for the same period last year.

The Group maintained its traditionally strong cash position, with approximately HK$419.1 million in cash in hand as at 31st March, 2019. The Board has resolved to declare an interim dividend of 8.0 HK cents per share for the six months ended 31st March, 2019 (six months ended 31st March, 2018: 3.0 HK cents per share).

Management Discussion and Analysis

The Group's beauty services continued to perform well in the first half of 2018/19. This helped offset a softer showing from its retail side, partly the result of reduced spending by PRC visitors to Hong Kong. Various increases in costs in the period have however impacted on the Group's bottom line, specifically its depreciation expenses relating to its investment in the opening of new stores and the renovation of existing stores, and its staff costs arising from the employment of new staff. This expenditure is part of the Group's long-term strategy to maintain modern, attractive and well-staffed outlets. The goal is to ensure that its various brand presences are widely perceived as stylish, forward-looking and constantly abreast of the latest developments in technology.

As has been the trend in recent years, the beauty services percentage of the Group's overall business has continued to creep upwards. The sales mix as at 31st March, 2019 stood at 80.4% services to 19.6% retail, a change from the 77.7% to 22.3% mix a year earlier. The Group's gross profit margin rose in line with the fact that services margins are typically higher than retail ones, reaching 92.7% against 91.9% the previous year.

Advertising expenditure during the period fell by 21.7% year-on-year, as the Group continued to deploy its resources astutely by placing a greater focus on online marketing and social media promotional models. Consequently, as a percentage of turnover the Group's advertising expenditure only amounted to 1.9% – a very strong result considering the effectiveness of its penetration, especially since it handled promotions for several important new items launched during the period.

In line with the Group's expansion of both its retail and service outlets, staff costs for the period rose by 7.8%, making up a total of 43.2% in terms of percentage to turnover (March 2018: 41.7%). This rise was primarily due to the increase in staff headcount in order to serve newly opened outlets and to further improve service quality in existing outlets. New personnel were mainly frontline staff, including doctors, which also pushed up staff costs. The Group is comfortable with its level of staff costs, as one of its major selling points is the high level of professionalism of staff and the personal touch that it is able to offer customers, especially for its beauty services operations.

Rental costs fell further year-on-year, by 1.2%. This was partly the result of the closure of a couple of underperforming stores in very high rental environments, and partly due to the efforts of the Group in negotiating good rental agreements with landlords. The Group has also continued to engage in prudent purchases of properties with the aim of further controlling fluctuations in leases. In 2018 it purchased premises in Yuen Long where an existing Oasis Beauty centre is sited, and in April 2019, just after the review period, it completed purchase of a unit of approximately 2,200 square feet in Tuen Mun Parklane Square. This unit is one of three adjacent units in which Oasis Beauty currently operates a larger salon; the other two units continue to be rented from the landlord from whom the purchase was made.

Depreciation costs rose considerably year-on-year due to the Group's continued high level of expenditure on the renovation of existing beauty salons and the fitting out of new openings.

Beauty Services Business

A number of the Group's separate beauty service offerings together make up its single brand stable 'Oasis'. Oasis Beauty, Oasis Spa and Oasis Medical Centre primarily serve female customers, while Oasis Homme caters for men's beauty needs. In addition, the Group's self-owned Glycel brand offers Glycel 'Skinspa' beauty services at many of its outlets.

The Oasis range performed well during the period, with the main Oasis service brands in Hong Kong all recording solid single-digit growth in turnover. The Group's three self-managed Oasis Beauty centres in the PRC enjoyed strong double-digit turnover growth. Separately, beauty services offered under the Glycel brand also experienced very positive uptake during the period, in conjunction with strong retail sales of Glycel products. The opening of the Macau Oasis Beauty salon in September 2018 has also benefited the Group, with the new salon posting a good performance and contributing to significant growth in Macau's business during the period.

The Group continued to incur relatively high levels of capital expenditure as a result of its strategic policy of constantly refreshing and upgrading its beauty services outlets to maintain customer interest. Apart from expenditure on interior renovations, much emphasis was placed on the acquisition of new technology equipment and new treatments, an area in which the Group has a strong track record. A particular success in this respect was the launch of the new i-Skinix treatment series. At Oasis Medical Centres, new advanced V-liner equipment to reduce facial lines and Target-X Age-Freeze equipment providing new collagen treatments for face, neck and body were both successfully launched, along with popular 3-D Eye Contour technology to enhance women's eye regions.

Much of the Group's promotion for these new services utilised online and social media outlets, continuing its commitment to making the most of new communication technologies and data analytics to promote itself and to more effectively target new customer groups.

As at 31st March, 2019, the Group was operating 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres and 2 Oasis Homme centres. In the PRC, 3 self-managed Oasis Beauty centres continued to operate and an Oasis Beauty centre in Macau. These numbers remain unchanged from March 2018.

Retail Business

The Group sells skincare and beauty products under three self-owned brands (Glycel, Eurobeauté and DermaSynergy) and two licensed brands (Erno Laszlo and H2O+). In the period under review, the Group's self-owned Glycel brand was the key performer, delivering double-digit growth (including both retail sales and Skinspa services). This was partly due to the expansion in the number of stores, with Glycel operating 16 stores as at 31st March, 2019 compared with 13 a year earlier. In addition, newly launched Glycel products proved popular, including a new limited edition version of the 42°C Mobile Skin Therapist embedded with Swarovski crystals. These supplemented an already strong-selling stable of Glycel products, and the launch of a series of Supreme Whitening Cell-Regeneration Treatments in March 2019 further boosted the brand's profile.

A reduction in the number of H2O+ outlets over the year led to a fall in turnover in sales of this brand's products. Erno Laszlo experienced a small drop in turnover, mainly due to the closing of the store in Festival Walk and, more generally, a softening in the retail market, despite a new Erno Laszlo counter being opened in Yata Shatin in November 2018.

As at 31st March, 2019, the Group was operating 3 H2O+ outlets, 5 Erno Laszlo stores, and 7 Glycel stores in Hong Kong. In Macau, it continued to operate a Glycel outlet.

Outlook

With deep confidence in the quality of its services and products, the Group will continue to look for opportunities to open new counters and outlets in the months ahead. In particular, performance of its self-owned Glycel brand has been strong and the Group expects to back this with powerful promotional campaigns and the launch of further attractive Glycel products in the year ahead. The synergies between its Glycel Skinspa and its Oasis Medical Centre, which offer advanced medical treatments for more significant skin issues, are such that the Group plans to open these stores together where possible.

A number of new outlets are planned for the ensuing months. With the major renovations having taken place at Shatin's popular New Town Plaza finally completed, the Group is planning to open new Erno Laszlo and Glycel outlets in this important mall before Christmas this year. Three new Glycel outlets are also planned in other significant locations within this financial year; an outlet will be opened in Tuen Mun Parklane Square, while in Kornhill Plaza Office Tower and Yuen Long Kwong Wah Plaza, the new Glycel outlet will open side by side with an Oasis Medical Centre in these two locations.

A major Glycel campaign under the 'Glycel White Reface', actress and model Christine Kuo, has been launched in May 2019, which will introduce a range of new treatments and products that should further enhance the brand's momentum.

The Group's online brand O~KO! beauty has continued to grow modestly over the year, and the Group will continue to promote and enhance this e-commerce channel with an eye on its long-term potential for e-shoppers.

The six months under review have been satisfactory ones in terms of brand performance for the Group. Its beauty services brands continue to enjoy strong loyal customer bases, and the Group has a well-deserved reputation for quality, comfort and good service. Its beauty services are also widely associated with advanced technology and the latest in international beauty equipment, drawing customers back again and again to take advantage of treatment breakthroughs. Its customer base for beauty services is continuing to grow, due to its use of celebrity brand figures such as Christine Kuo and an astute deployment of social media channels to promote its brands. On the retail front, the Group has continued to work hard to locate its brand outlets in optimum sites, and to refresh its product ranges regularly while ensuring that they are ideally tailored to the needs of local target consumers.

This confidence in its portfolio has driven the Group's spending in terms of new store openings and refurbishments of existing stores. To maintain the highest standards of quality, expenditure has been necessarily high but the Group believes that the strategy is one that is working well to enhance the Group's profile and status among consumers. As ever, the Group has proceeded in a financially prudent manner across its operations and remains in a strong cash position. It is working from a very positive baseline, and is looking forward to further upward momentum in the second half of the year.

Fully-Exempt Connected Transaction

On 29th January, 2019, one of the subsidiaries of the Company had entered into a sales and purchase agreement with Ms. Yu Lai Si (the substantial shareholder of the Company) and two independent third parties (collectively the "Vendors"). The Vendors agreed to sell 70% interests in Fancy Cheer Limited (the "Target") at HK$1.05 million. Upon completion, Ms. Yu Lai Si had no interest in the Target.

The Target produces and sells freshly made cold-pressed fruit juice under the brand of "Water Juicery", targeting at consumers seeking for a healthy lifestyle and/or beauty which are quite similar to the clientele of the Group. By acquiring the brand "Water Juicery" and its operations, the Group would expect to create a synergy effect in overall.

The above transaction was considered as fully-exempt connected transaction under Rule 14A.76(1) of the Listing Rules as all the percentage ratios (other than the profits ratio) of the transaction were less than 5% and the total consideration was less than HK$3 million.

Liquidity and Financial Resources

As at 31st March, 2019, the Group had net current liabilities of approximately HK$98.6 million (as at 30th September, 2018: HK$88.3 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2019, the Group had cash reserves of approximately HK$419.1 million (as at 30th September, 2018: HK$376.6 million).

As at 31st March, 2019, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$289.0 million (as at 30th September, 2018: HK$288.7 million) was approximately 5.1% (as at 30th September, 2018: 5.8%). Details of the maturity profile of the secured mortgage loan as set out in note 12 are disclosed in the condensed consolidated financial statements. All borrowings are denominated in Hong Kong dollars. The bank balances and cash are mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

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 31st March, 2019.

Capital Commitments

As at 31st March, 2019, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK$ 22.3 million.

Employees and Remuneration Policy

As at 31st March, 2019, the Group employed 802 staff (as at 30th September, 2018: 764 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will 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.

Deloitte. 德勤

Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of Water Oasis Group Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Water Oasis Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 08 to 31, which comprise the condensed consolidated statement of financial position as of 31st March, 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 24th May, 2019

Condensed Consolidated Statement of Profit or Loss

	Notes	Unaudited Six months ended 31st March, 2019 HK$'000	2018 HK$'000
Turnover	4	**381,283**	366,462
Purchases and changes in inventories of finished goods		**(27,756)**	(29,589)
Other income		**4,714**	4,692
Other gains or losses		**(82)**	1,830
Staff costs		**(164,900)**	(152,991)
Depreciation of property and equipment		**(13,554)**	(7,351)
Finance costs		**(177)**	(201)
Other expenses		**(112,508)**	(109,418)
Profit before taxation		**67,020**	73,434
Taxation	5	**(11,987)**	(13,074)
Profit for the period	6	**55,033**	60,360
Profit (loss) for the period attributable to:			
Owners of the Company		**55,094**	60,529
Non-controlling interests		**(61)**	(169)
		55,033	60,360
Earnings per share			
Basic and diluted	7	**8.1 HK cents**	7.9 HK cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited Six months ended 31st March,	
	2019	2018
	HK$'000	HK$'000
Profit for the period	**55,033**	60,360
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**684**	1,445
Total comprehensive income for the period	**55,717**	61,805
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**55,789**	61,995
Non-controlling interests	**(72)**	(190)
	55,717	61,805

Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at 31st March, 2019 HK$'000	Audited As at 30th September, 2018 HK$'000
Non-current assets			
Intangible assets		**59,619**	59,162
Goodwill		**3,498**	3,012
Investment properties	9	**233,574**	233,604
Property and equipment	9	**78,087**	76,287
Rental deposits		**28,727**	27,160
Deferred tax assets		**9,184**	4,103
		412,689	403,328
Current assets			
Inventories		**35,229**	36,903
Trade receivables	10	**49,819**	28,677
Contract costs		**54,466**	–
Prepayments		**7,035**	82,933
Other deposits and receivables		**15,489**	10,836
Bank balances and cash		**419,056**	376,571
		581,094	535,920
Current liabilities			
Trade payables	11	**2,220**	7,059
Accruals and other payables		**73,004**	74,152
Receipts in advance		**–**	516,196
Contract liabilities		**584,298**	–
Secured mortgage loan – due within one year	12	**3,220**	3,446
Tax payable		**16,955**	23,362
		679,697	624,215
Net current liabilities		**(98,603)**	(88,295)
Total assets less current liabilities		**314,086**	315,033
Capital and reserves			
Share capital	13	**68,055**	67,945
Reserves		**213,768**	213,762
Equity attributable to owners of the Company		**281,823**	281,707
Non-controlling interests		**7,204**	7,034
Total equity		**289,027**	288,741
Non-current liabilities			
Secured mortgage loan – due after one year	12	**11,571**	13,191
Deferred tax liabilities		**13,488**	13,101
		25,059	26,292
		314,086	315,033

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Statutory fund reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st October, 2017 (audited)	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 period	–	–	–	–	–	–	–	–	60,529	60,529	(169)	60,360
Exchange differences arising on translation of foreign operations	–	–	1,466	–	–	–	–	–	–	1,466	(21)	1,445
Total comprehensive income (expense) for the period	–	–	1,466	–	–	–	–	–	60,529	61,995	(190)	61,805
2017 final dividend paid	–	–	–	–	–	–	–	–	(30,618)	(30,618)	–	(30,618)
Issue of shares upon exercise of share options	150	1,572	–	–	–	–	(243)	–	–	1,479	–	1,479
At 31st March, 2018 (unaudited)	76,545	40,451	24,721	(1,766)	450	1,797	2,184	(589)	194,310	338,103	6,950	345,053

	Attributable to owners of the Company											
	Share capital HK$'000	**Share premium HK$'000**	**Exchange reserve HK$'000**	**Capital reserve HK$'000**	**Capital redemption reserve HK$'000**	**Statutory fund reserve HK$'000**	**Share options reserve HK$'000**	**Other reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
At 1st October, 2018 (audited)	**67,945**	**–**	**22,428**	**(1,766)**	**450**	**1,797**	**1,861**	**(589)**	**189,581**	**281,707**	**7,034**	**288,741**
Effect of adoption of HKFRS 15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,328)**	**(19,328)**	**–**	**(19,328)**
At 1st October, 2018 (restated)	**67,945**	**–**	**22,428**	**(1,766)**	**450**	**1,797**	**1,861**	**(589)**	**170,253**	**262,379**	**7,034**	**269,413**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55,094**	**55,094**	**(61)**	**55,033**
Exchange differences arising on translation of foreign operations	**–**	**–**	**695**	**–**	**–**	**–**	**–**	**–**	**–**	**695**	**(11)**	**684**
Total comprehensive income (expense) for the period	**–**	**–**	**695**	**–**	**–**	**–**	**–**	**–**	**55,094**	**55,789**	**(72)**	**55,717**
2018 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,430)**	**(37,430)**	**–**	**(37,430)**
Issue of shares upon exercise of share options	**110**	**1,153**	**–**	**–**	**–**	**–**	**(178)**	**–**	**–**	**1,085**	**–**	**1,085**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**242**	**242**
At 31st March, 2019 (unaudited)	**68,055**	**1,153**	**23,123**	**(1,766)**	**450**	**1,797**	**1,683**	**(589)**	**187,917**	**281,823**	**7,204**	**289,027**

Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 31st March, 2019 HK$'000	2018 HK$'000
Net cash from operating activities		**92,853**	90,727
Net cash used in investing activities:			
Purchase of property and equipment		**(15,227)**	(14,321)
Acquisition of a subsidiary	15	**(1,006)**	–
Other investing cash flows		**3,086**	2,238
		(13,147)	(12,083)
Net cash used in financing activities:			
Dividends paid		**(37,430)**	(30,618)
Other financing cash flows		**(938)**	14
		(38,368)	(30,604)
Net increase in cash and cash equivalents		**41,338**	48,040
Cash and cash equivalents at beginning of the period		**376,571**	402,430
Effect of foreign exchange rate changes		**1,147**	2,206
Cash and cash equivalents at end of the period, represented by bank balances and cash		**419,056**	452,676

Notes to the Condensed Consolidated Financial Statements

1. General Information

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 interim 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 the operation of beauty salons, spas and medical beauty centres in Hong Kong and the PRC during the period.

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$") which is the functional currency of the Company. The condensed consolidated financial statements were approved for issue by the Board of Directors (the "Board") on 24th May, 2019.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2018.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" and the related amendments

The Group had applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Retail sales of skincare products
- Provision of services in beauty salons, spas, medical beauty centres and other businesses

The Group had applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st October, 2018. Any difference at the date of initial application would be recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information would not be restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group had elected to apply the standard retrospectively only to contracts that were not completed at 1st October, 2018. Accordingly, certain comparative information might not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from retail sales of skincare products is recognised at a point in time when the sales is made to the customer.

Revenue from provision of services in beauty salons, spas, medical beauty centres and other businesses is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The services are usually sold on a prepaid basis. Payment received for the prepaid packages are recorded as contract liabilities at the time of receipt.

Contract liabilities are non-refundable and customers may not utilise all of their contracted rights within the service period. Such unutilised service treatments are referred to as breakage. An expected breakage amount in contract liabilities is determined by historical experience and is recognised as revenue in proportion to the pattern of service treatments utilised by the customers.

Any contract liabilities outstanding at the expiry of the service period is fully recognised in profit or loss.

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at the contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using suitable methods such that the transaction price ultimately allocated to any performance obligation will reflect the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Incremental costs of obtaining a contract
Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the assets relate. The asset is subject to impairment review.

3.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1st October, 2018.

	Note	**Impact of adopting HKFRS 15 at 1st October, 2018** HK$'000
Retained profits		
Deferred expenses not being recognised as contract costs	(a)	(22,700)
Tax effects		3,372
Impact at 1st October, 2018		(19,328)

The following adjustments were recognised in the condensed consolidated statement of financial position at 1st October, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30th September, 2018 HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 15 at 1st October, 2018** HK$'000
Non-current assets			
Deferred tax assets	4,103	3,066	7,169
Current assets			
Prepayments (note (a))	82,933	(70,961)	11,972
Contract costs (note (a))	–	48,261	48,261
Current liabilities			
Receipts in advance (note (b))	516,196	(516,196)	–
Accruals and other payables (note (b))	74,152	2,133	76,285
Contract liabilities (note (b))	–	514,063	514,063
Capital and reserves			
Reserves (note (a))	213,762	(19,328)	194,434
Non-current liabilities			
Deferred tax liabilities	13,101	(306)	12,795

Notes:

(a) At the date of initial application, prepayments of approximately HK$48,261,000 were reclassified to contract costs. Deferred expenses previously included in prepayments that were not recognised as contract costs on application of HKFRS 15 of approximately HK$22,700,000 were adjusted with corresponding adjustment to retained profits.

(b) At the date of initial application, receipts in advance of approximately HK$514,063,000 and HK$2,133,000 were reclassified to contract liabilities and accruals and other payables respectively.

The following tables summaried the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 31st March, 2019 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported HK$'000 (unaudited)	**Adjustments** HK$'000	**Amounts without application of HKFRS 15** HK$'000 (unaudited)
Non-current assets			
Deferred tax assets	9,184	(3,311)	5,873
Current assets			
Prepayments	7,035	80,358	87,393
Contract costs	54,466	(54,466)	–
Current liabilities			
Receipts in advance	–	585,117	585,117
Accruals and other payables	73,004	(819)	72,185
Contract liabilities	584,298	(584,298)	–
Tax payable	16,955	432	17,387
Capital and reserves			
Reserves	213,768	22,094	235,862
Non-current liabilities			
Deferred tax liabilities	13,488	55	13,543

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported HK$'000 (unaudited)	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000 (unaudited)
Other expenses	(112,508)	3,192	(109,316)
Profit before taxation	67,020	3,192	70,212
Taxation	(11,987)	(426)	(12,413)
Profit for the period	55,033	2,766	57,799
Total comprehensive income for the period	55,717	2,766	58,483

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group had applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group had applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that had not been derecognised as at 1st October, 2018 (date of initial application) and had not applied the requirements to instruments that had already been derecognised as at 1st October, 2018. The difference between carrying amounts as at 30th September, 2018 and the carrying amounts as at 1st October, 2018, if any, were recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information might not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

The directors of the Company had reviewed and assessed the Group's financial assets as at 1st October, 2018 based on the facts and circumstances that existed at that date. The application of HKFRS 9 had no material effect on the classification and measurement of financial assets in these condensed consolidated financial statements of the Group.

Impairment under ECL model
The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in the credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since Initial recognition.

Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1st October, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of HKFRS 9. The directors of the Company considered that the application of impairment under ECL model on the Group's financial assets had no material impact to the condensed consolidated financial statements of the Group.

Except as described above, the application of other amendments to HKFRSs in the current interim period had no material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. 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

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

	Retail segment Six months ended 31st March,		Services segment Six months ended 31st March,		Elimination Six months ended 31st March,		Consolidation Six months ended 31st March,	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Sales to external customers	74,699	81,871	306,584	284,591	–	–	381,283	366,462
Inter-segment sales	12,329	13,136	–	–	(12,329)	(13,136)	–	–
Total	87,028	95,007	306,584	284,591	(12,329)	(13,136)	381,283	366,462
Segment results	20,200	23,086	87,709	86,186	–	–	107,909	109,272
Other income							4,714	4,692
Other gains or losses							(82)	1,830
Finance costs							(177)	(201)
Central administrative costs							(45,344)	(42,159)
Profit before taxation							67,020	73,434

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 resources allocation and performance assessment.

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

Segments	Retail HK$'000	Six months ended 31st March, 2019 Services HK$'000	Total HK$'000
Timing of revenue recognition			
At a point of time	74,699	–	74,699
Over time	–	306,584	306,584
Total	74,699	306,584	381,283
Geographical markets			
Hong Kong and Macau			366,219
The PRC			15,064
Total			381,283

5. Taxation

	Six months ended 31st March, **2019 HK$'000**	2018 HK$'000
Current tax		
Current period	**13,365**	12,470
Deferred taxation	**(1,378)**	604
	11,987	13,074

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period 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, the Hong Kong profits tax of the qualifying group entity was 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 Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2018: 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.

Taxation on profits generated outside Hong Kong has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

6. Profit for the Period

	Six months ended 31st March, 2019 HK$'000	2018 HK$'000
Profit for the period is stated at after charging:		
Amortisation of contract costs	**34,540**	–
Amortisation of intangible assets	**58**	55
Loss on fair value change of investment properties	**30**	–
Write-off of property and equipment	**456**	581
and after crediting:		
Net exchange gain	**174**	296
Gain on disposal of property and equipment	**230**	517
Gain on fair value change of investment properties	**–**	1,598
Interest income on bank deposits	**2,856**	1,785
Interest income on overdue rental income	**–**	303
Rental income from investment properties	**1,693**	2,337

7. 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:

	Six months ended 31st March, 2019 HK$'000	2018 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**55,094**	60,529

	Number of shares 2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,113,753**	765,436,280
Effect of dilutive potential ordinary shares – share options of the Company	**389,389**	856
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,503,142**	765,437,136

8. Dividends

	Six months ended 31st March, 2019 HK$'000	2018 HK$'000
Interim dividend declared after the end of the reporting period of 8.0 HK cents (2018: 3.0 HK cents) per share	**54,444**	20,384

During the six months ended 31st March, 2019, a final dividend of 5.5 HK cents (2018: 4.0 HK cents) per share totalled approximately HK$37,430,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2018 (2018: HK$30,618,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2017).

At the Board meeting held on 24th May, 2019, the directors declared an interim dividend of 8.0 HK cents (2018: 3.0 HK cents) per share payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 12th June, 2019. This interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

9. Capital Expenditures

During the six months ended 31st March, 2019, the Group incurred capital expenditure of approximately HK$15,227,000 for property and equipment (six months ended 31st March, 2018: HK$14,321,000).

The Group's investment properties were revalued based on a valuation as of 31st March, 2019 carried out by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent valuer not connected with the Group. The resulting decrease in fair value of investment properties of HK$30,000 (six months ended 31st March, 2018: increase in fair value of investment properties of HK$1,598,000) has been recognised directly in profit or loss.

10. Trade Receivables

The Group generally allows its trade debtors' credit terms of 30 days to 150 days. The following is an aging analysis of trade receivables, presented based on the payment due dates, net of allowance for bad and doubtful debts, at the end of the reporting period:

	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
0 to 30 days	**49,803**	28,654
Over 150 days	**16**	23
	49,819	28,677

Movement in the allowance for trade receivables:

	For the six months ended 31st March, 2019 HK$'000	For the year ended 30th September, 2018 HK$'000
Balance at beginning of the period/year	**589**	589
Write-off of trade receivables	**(589)**	–
Balance at end of the period/year	**–**	589

11. Trade Payables

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

	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
0 to 30 days	**2,202**	7,059
31 to 60 days	**18**	–
	2,220	7,059

12. Secured Mortgage Loan

	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,220**	3,446
Non-current liabilities	**11,571**	13,191
	14,791	16,637

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

	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
Within 1 year	**3,220**	3,446
1 year to less than 2 years	**3,295**	3,257
2 years to less than 3 years	**3,370**	3,332
3 years to less than 4 years	**3,447**	3,409
4 years to less than 5 years	**1,459**	3,193
	14,791	16,637
Less: Amount due within one year shown under current liabilities	**(3,220)**	(3,446)
Amount shown under non-current liabilities	**11,571**	13,191

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK$233,574,000 as at 31st March, 2019 (as at 30th September, 2018: HK$233,604,000). It bears interest at 2.85% (as at 30th September, 2018: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.275% (as at 30th September, 2018: 2.275%) per annum.

13. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st October, 2017, 31st March, 2018, 1st October, 2018 and 31st March, 2019	2,000,000,000	200,000
Issued and fully paid:		
At 1st October, 2017	763,952,764	76,395
Exercise of share options (note (a))	1,500,000	150
At 31st March, 2018	765,452,764	76,545
At 1st October, 2018	679,452,764	67,945
Exercise of share options (note (a))	1,100,000	110
At 31st March, 2019	680,552,764	68,055

Note:

(a) During the period ended 31st March, 2019, 1,100,000 (2018: 1,500,000) 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 14 with proceeds of approximately HK$1,085,000 (2018: HK$1,479,000).

14. 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 quotation 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 quotation 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.

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 31st March, 2019, a total of 10,400,000 shares (representing approximately 1.53% 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 and 1,100,000 share options were exercised during the reporting period. As at the date of this report, there were a total of 56,395,276 share available for issue under the Share Option Scheme, which representing approximately 8.29% 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, 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31st March, 2019	Date of grant	Vesting period	Exercise period	Exercise price	Before date of grant	Before date of exercise (weighted average)	At the date of exercise (weighted average)
Employees	11,500,000	–	(1,100,000)	–	–	10,400,000	10th August, 2017	10th August, 2017 to 31st August, 2017	1st September, 2017 to 31st August, 2019	HK$0.986	HK$0.96	HK$1.25	HK$1.25
Total	11,500,000	–	(1,100,000)	–	–	10,400,000							

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

	Six months ended 31st March,			
	2019		2018	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the period	**11,500,000**	**HK$0.986**	15,000,000	HK$0.986
Granted during the period	**–**	**–**	–	–
Exercised during the period	**(1,100,000)**	**HK$0.986**	(1,500,000)	HK$0.986
Cancelled during the period	**–**	**–**	–	–
Lapsed during the period	**–**	**–**	–	–
Outstanding at the end of the period	**10,400,000**	**HK$0.986**	13,500,000	HK$0.986
Exercisable at the end of the period	**10,400,000**	**HK$0.986**	13,500,000	HK$0.986

15. Acquisition of a subsidiary

On 29th January, 2019, the Group had entered into a sales and purchase agreement to acquire a 70% interest in Fancy Cheer Limited at a total cash consideration of HK$1,050,000. Fancy Cheer Limited produces and sells freshly made cold-pressed fruit juice under the brand of "Water Juicery", targeting at consumers seeking for a healthy lifestyle and/or beauty which are quite similar to the clientele of the Group. By acquiring the brand "Water Juicery" and its operations, the Group would expect to create a synergy effect in overall. This transaction had been accounted for using acquisition method.

Assets acquired and liabilities recognised at the date of acquisition are as below:

	HK$'000
Property and equipment	577
Deferred tax assets	39
Trade receivables	33
Intangible assets	510
Prepayments	41
Other deposits	47
Bank balances and cash	44
Trade payables	(33)
Accruals and other payables	(368)
Deferred tax liabilities	(84)
	806

The non-controlling interests (30%) in Fancy Cheer Limited recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Fancy Cheer Limited and amounted to HK$242,000.

	HK$'000
Consideration transferred, satisfied by:	
Cash	1,050
Add: Non-controlling interests	242
Less: Fair value of net assets acquired by the Group	(806)
Goodwill arising on acquisition	486

Goodwill was arisen in the acquisition because the cost of acquisition included a premium the Group paid for the control and the expected future profitability and synergy benefits of the subsidiary to the Group. Such benefits cannot be reliably measured individually and are therefore collectively identified as goodwill.

	HK$'000
Consideration paid in cash	1,050
Less: Bank balances and cash acquired	(44)
Net cash outflows arising on acquisition	1,006

The acquisition did not have significant contribution to the Group's revenue or results for the six months ended 31st March, 2019.

16. Commitments and Operating Lease Arrangements

(a) Capital commitments

	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	**22,329**	3,539

(b) Commitments and arrangements under operating leases

As at 31st March, 2019 and 30th September, 2018, 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**	**As at 31st March, 2019 HK$'000**	As at 30th September, 2018 HK$'000
Not later than 1 year	**2,880**	4,289
More than 1 year but not later than 5 years	**3,880**	5,320
	6,760	9,609

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

As lessees Rental payments	As at 31st March, 2019 HK$'000	As at 30th September, 2018 HK$'000
Not later than 1 year	**88,145**	86,331
More than 1 year but not later than 5 years	**109,004**	74,373
	197,149	160,704

Operating leases 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.

17. Related Party Transactions

Compensation of key management personnel

	Six months ended 31st March,	
	2019 **HK$'000**	2018 HK$'000
Basic salaries	**4,108**	4,050
Bonuses	**8,990**	6,026
Retirement benefit costs	**18**	21
	13,116	10,097

The above related party transaction was fully exempted connected transaction under Chapter 14A of the Listing Rules.

18. Fair Value measurements of financial instruments

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 condensed consolidated financial statements approximate to their fair values.

19. Event after the Reporting Period

There is no significant event happened after the reporting period.

Interim Dividend and Closure of Register of Members

The Board has declared an interim dividend of 8.0 HK cents per share for the six months ended 31st March, 2019 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 12th June, 2019. The Register of Members will be closed from Tuesday, 11th June, 2019 to Wednesday, 12th June, 2019, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10th June, 2019. The relevant dividend warrants will be dispatched to shareholders on Friday, 21st June, 2019.

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 is chaired by Prof. Wong Lung Tak, Patrick.

It is responsible for the appointment of the external auditor, review of the Group's financial information and overseeing the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. 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 Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") and disclosures in the corporate governance report.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31st March, 2019 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the condensed consolidated financial statements. It has also reviewed this report.

Remuneration Committee

The Company established a Remuneration Committee on 26th June, 2006. The Remuneration Committee comprises all independent non-executive directors of the Company 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.

Investment Advisory Committee

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15th November, 2007. The members of the Investment Advisory Committee comprise all independent non-executive directors of the Company and Mr. Yu Kam Shui, Erastus, an executive director of the Company, and is chaired by Dr. Wong Chi Keung.

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

Nomination Committee

To comply with the CG Code, a Nomination Committee was established on 22nd March, 2012. The members of the Nomination Committee comprise all independent non-executive directors of the Company and is chaired by Dr. Wong Chi Keung.

It 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.

Disclosure Committee

In order to enhance timely disclosure of inside information (the "Inside Information") as defined under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), a Disclosure Committee was established on 10th January, 2013. The Disclosure Committee comprises Mr. Yu Kam Shui, Erastus, an executive director of the Company and all independent non-executive directors of the Company, and is chaired by Mr. Yu Kam Shui, Erastus.

The objectives of the Disclosure Committee are to consider and make recommendations to the Board in relation to the Company's disclosure policy and guidelines regarding the Inside Information of the Company and to make 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 to consider other topics, as defined by the Board.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st March, 2019, the interests and short positions of the directors and 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"), 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				Approximate percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Total	
Yu Kam Shui, Erastus	The Company	Beneficial owner	8,000,000 ordinary	–	–	8,000,000 ordinary	1.18%
Yu Lai Chu, Eileen	The Company	Beneficial owner and interest of controlled corporations	9,564,000 ordinary[1]	–	155,333,760 ordinary[1]	164,897,760 ordinary	24.23%
	Water Oasis Company Limited	Beneficial owner	165,000 non-voting deferred	–	–	165,000 non-voting deferred	–
Lai Yin Ping	The Company	Interest of spouse	–	8,000,000 ordinary[2]	–	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[3]	The Company	Beneficial owner and interest of spouse	2,928,000 ordinary	2,294,000 ordinary[4]	–	5,222,000 ordinary	0.77%

Notes:

(1) 9,564,000 shares are registered in the name of Ms. Yu Lai Chu, Eileen 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 80% owned by Ms. Yu Lai Chu, Eileen and 20% owned by her son, Mr. Tam Yue Hung.

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

(3) Mr. Tam Siu Kei was appointed as the executive director of the Company with effect from 1st February, 2019.

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

As at 31st March, 2019, 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 and 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 share option scheme are set out in note 14 to the condensed consolidated financial statements.

On 24th February, 2012, the Company adopted a new 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 period 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 period.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31st March, 2019, 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 was, 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 issued ordinary shares	Approximate percentage of issued share capital
Yu Lai Si[(1)]	Beneficial owner/ Personal interest	166,113,760	24.41%
Zinna Group Limited[(2)]	Registered owner/ Personal interest	155,333,760	22.82%
Advance Favour Holdings Limited[(3)]	Registered owner/ Personal interest	77,666,880	11.41%
Billion Well Holdings Limited[(4)]	Registered owner/ Personal interest	77,666,880	11.41%
Lai Yin Ling[(3)&(4)]	Interest of controlled corporations/ Corporate interest	155,333,760	22.82%

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 80% owned by Ms. Yu Lai Chu, Eileen and 20% owned by her son, Mr. Tam Yue Hung.

(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 31st March, 2019, 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, the Company did not redeem any of its listed shares nor did the Company or its subsidiaries purchase or sell any such shares.

Corporate Governance

In the opinion of the directors, the Company has complied with the code provisions set out in the CG Code during the period under review.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code. Following a specific enquiry by the Company, all directors confirmed that they had complied with the Model Code for transactions in the Company's securities throughout the period under review.

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

Update on Directors' Information

The changes in directors' information subsequent to the annual report of the Company dated 14th December, 2018 and up to the date of this interim report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

– Prof. Wong Lung Tak, Patrick resigned as an independent non-executive director of National Arts Entertainment and Culture Group Limited, a company listed on the Stock Exchange, with effect from 1st January, 2019.

By Order of the Board
Water Oasis Group Limited
Tam Siu Kei
Executive Director and Chief Executive Officer

Hong Kong, 24th May, 2019

Corporate Information

Directors

Executive Directors

Yu Kam Shui, Erastus
Tam Chie Sang (resigned on 1st February, 2019)
Tam Siu Kei *(Chief Executive Officer)*
(appointed on 1st February, 2019)
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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Registered Office

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