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

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：1161

平穩發展 Light Steps Forward
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2019 ANNUAL REPORT
年報

2019 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, 2019, 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 8 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 and salon, which sells H2O+ and Glycel brand products as well as offering beauty treatment services.

In 2019, the Group introduced a new Oasis Hair Spa service in one of its Oasis Homme centres, delivering advanced hair growth and scalp treatment options for men and women. 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 17 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 42ºC 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.

Water Juicery

In January 2019, the Group acquired the Water Juicery brand, an established operation offering freshly made cold-pressed juice drinks with health and beauty benefits for online ordering.

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 4 Erno Laszlo outlets in Hong Kong, and recently opened an Erno Laszlo counter in New Yaohan, a major department store with good traffic in Macau.

The Group is also distributor of products of H2O+, a renowned marine-derived skincare brand from the United States. There are currently 3 H2O+ retail outlets in prime Hong Kong locations.

CEO's Statement

Once again I have pleasure in introducing the Group's results for the year ended 30th September, 2019. This year, despite very difficult conditions both internationally and in Hong Kong, the Group has delivered on its strengths and recorded a respectable profit. We see this as a strong testimony to the effectiveness of our long-term business strategy. Under that strategy, we have focused squarely on our beauty services business, invested heavily in new technology and equipment, and taken significant steps to expand our online presence.

The Group is now well advanced in the transformation journey that has seen us focus energies on our service offerings while repositioning our retail sales in a support role. In the current environment of economic and social uncertainty, that transformation strategy is proving its worth. The retail sector in Hong Kong has been hit hard in recent months as a direct result of the social unrest affecting the city, and the Group's own retail operations have not been unaffected. Existing customers have shown strong loyalty to our beauty service offerings under our respected Oasis and Glycel brands, while new customers have continued to arrive. And because our service operations are primarily patronised by local Hong Kong residents, the exodus of Mainland visitors that has affected many retail segments has had less impact on the Group.

As a result, the Group is quietly confident about its prospects for the year ahead, despite the ongoing disruptions affecting Hong Kong. Our customers can see our determined commitment to introducing the very latest beauty technology, enhancing and expanding our staff-to-customer ratio, upgrading and improving our premises, and launching new products and services to meet new trends and needs. Our own confidence in the future is boosting our customers' confidence in us, creating a virtuous circle that is driving continued good performance.

In the current uncertain economic and social environment, we intend to proceed prudently for the time being. Rather than focusing on rapid expansion and short-term experimentation, we will be looking to continue with our steady, well-researched investment in the best technology and treatments. One area in which we will be pushing ahead strongly is digital marketing and online sales. We have already begun the journey from traditional retail to a mixture of standalone sales and e-commerce. This is something we will be furthering in the year ahead, as we increasingly make more products available for online sales and delivery, and increasingly shift our advertising initiatives onto cost-effective social media platforms.

Our successful business model has been built on prudent financial management coupled with a very hands-on approach from the top down. For example, I continue to take a direct and personal interest in the technology and services we introduce, bringing all my experience to bear in locating the best and building strong personal relationships with developers and suppliers around the world. Every piece of equipment and every new service and product is selected based on its ability to meet the specific needs of Hong Kong women and men, based on our long experience of what local customers are looking for.

Although we have a large and loyal client base that we are very proud of, we believe there remains plenty of scope to expand our customer base through targeted online marketing. We have already made significant steps in this respect, but in the year ahead we will push ahead further by increasing our social media engagement, enhancing our apps, and generally expanding our online presence. We will also continue to draw on the insights being provided by our data analytics team to stay abreast of trends and developments in the ever-changing online world, while using our ever more precise customer profiles to target our advertising more efficiently than ever.

The excellent results of the year have not come without dedicated efforts from many parties. Once again, my thanks go out to the entire board of directors for their work during the year. The commitment of every Water Oasis staff member has been notable, especially in the second half of the year when many faced significant disruptions to their travel arrangements. Overall, their professionalism has been outstanding and has certainly enhanced the Group's reputation among customers. My thanks are also due to our business partners, and of course to our loyal customers who have remained committed to the Group even in difficult times for them personally. With the support of all our stakeholders, our pace will not slacken nor our vision dim as we step forward into the year ahead.

Alan Tam
Executive Director and Chief Executive Officer

Management Discussion and Analysis

For the year ended 30th September, 2019 ("the year"), the Group delivered a satisfying positive performance within a very challenging macro environment. This performance, which bucks the trend of many other service and retail providers in Hong Kong over the period, bears witness to management's careful strategic development initiatives of the past few years. These have involved placing an increasing focus on the service side, making a strong shift into digital marketing, and maintaining a steady commitment to investment in new equipment and treatments. As a result, the Group has gained a competitive edge and has built a loyal and steadily growing customer base even in the current weak spending environment.

As a result, turnover for the year rose by 7.9%. At the same time the Group's gross profit margin further improved, reaching 92.6% against 92.4% last year. Profit for the year amounted to HK$107.4 million, a rise of 12.9% over 2018. A primary driver behind these improvements was an ongoing shift in the ratio of product and service business. This ratio now stands at 18.2% (product) against 81.8% (service), from 20.8% and 79.2% a year ago. Basic earnings per share for the year amounted to 15.8 HK cents (2018: 12.8 HK cents).

The Group's traditional expertise in managing costs without compromising service was exercised in the year. In the important sphere of advertising, it continued its trend away from large-scale physical marketing campaigns in favour of more targeted online and digital campaigns utilising social media platforms. Not only were these campaigns highly effective in reaching new target groups, they also reduced the Group's advertising expenses, which fell by 16.0% compared with 2018 as well as reducing to just 2.9% as a percentage to revenue, against 3.8% previously.

Meanwhile, rental costs were maintained at a stable level, partly due to the store closures made during the year, and partly due to better rental renewal terms. As a percentage of turnover, rental costs fell to 16.6% from 17.8% the previous year. Offsetting these closures, the Group opened three new Glycel outlets in the year (Parklane Square in Tuen Mun, Kornhill Plaza in Taikoo Shing, and Kwong Wah Plaza in Yuen Long). The Glycel outlets in Kornhill Plaza and Kwong Wah Plaza also each incorporate a new Oasis Medical Centre, bringing the number of Glycel outlets in Hong Kong up to 17 at year-end (from 15 a year earlier), and the number of Oasis Medical Centres to 8 (from 6 a year earlier). Overall, at year-end the Group had a total of 57 outlets in operation, up from 55 at the same time last year.

Staff costs rose in the year. This was partly due to the recruitment of new staff for newly opened stores, and partly as a direct result of the Group's deliberate strategy to further enhance customers' beauty experience by increasing the ratio of staff to customers in its beauty service centres. In total, staff numbers rose to 824 as at 30th September, 2019, against 764 a year earlier. Staff costs rose accordingly, by 7.9% year-on-year, although this was offset by improvements in performance that meant staff costs remained at 42.5% of revenue, the same as last year.

Depreciation was one area that showed a significant rise year-on-year, by 68.4% (rising to 3.7% as a percentage of turnover, against 2.3% in 2018). Depreciation costs were directly related to the Group's proven long-term strategy of equipment upgrade and beauty centre enhancement. This has not slowed in 2019 despite the negative environment, and as a result the Group remains at the cutting edge in terms of the advanced equipment and latest technology it is able to offer across its beauty centres.

The Group's bank balances and cash reserves as at 30th September, 2019 amounted to approximately HK$385.6 million. Its current ratio was 0.8:1 and its debt-equity ratio was 4.7%. The board of directors has recommended the payment of a final dividend of 7.0 HK cents per share, bringing the full-year dividend to 15.0 HK cents per share (2018: 8.5 HK cents).

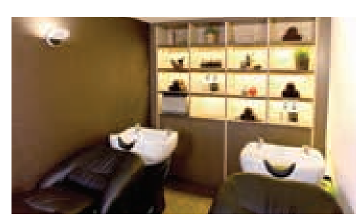
Business Review
Beauty Services
OASIS Portfolio

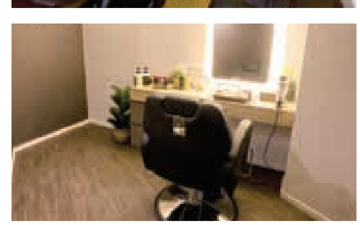
The Group operates a number of different but related beauty services under a single brand profile, the OASIS portfolio. These include its core beauty services businesses Oasis Beauty and Oasis Spa, together with its professional medical beauty specialist Oasis Medical Centre. Other OASIS-branded business segments include Oasis Homme and Oasis Florist. During the year, the Group introduced a new Oasis service, Oasis Hair Spa, operating in one of the Oasis Homme centres. The service delivers hair growth and improvement treatments for both men and women.

All the Group's major OASIS-branded businesses performed well in the year to achieve year-on-year growth. A standout performer was Oasis Spa, which continued to generate strong demand and attract new customers. In the PRC, the Group's three self-managed Oasis Beauty centres in Beijing also delivered excellent performances, driven by new equipment and a strengthening reputation as a premium service provider, supplemented by astute offers and targeted social media campaigns.

Across the OASIS operations, new standout treatments were introduced that maintained steady customer demand throughout the year. New Ginger Body Contouring and Detox and Ginger Massage Slimming Treatments introduced proved very popular, and a series of LipoBurn Body treatments launched in August 2019 have also met with a good response. In Oasis Medical Centres, new Thermage FLX treatments were supplemented in June 2019 by 3D Diamond Eye Rejuvenation Treatment. As mentioned above, the recent launch of a new Oasis Hair Spa service has introduced a raft of valuable treatments focused on the hair and scalp, opening up a new range of target customers for the Group.

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 centres), together with three self-managed Oasis Beauty centres in Beijing. There were a further three high-end Oasis Spa centres in operation. A further Oasis Beauty Store and salon operates in Macau.





Oasis Medical Centre

In response to strong customer demand for the Group's range of medical beauty services, the Group opened an additional two Oasis Medical Centres during the year, bringing the number in operation to eight as at 30th September, 2019. This segment delivered steady year-on-year growth of 7.5%. New technologies and treatments introduced in the year included V-liner equipment to reduce facial lines, Thermage FLX equipment for firming, Profhilo anti-aging treatment, and 3-D Eye Contour technology.

Glycel

The Group's self-owned Glycel brand provides beauty treatment services under its Glycel 'Skinspa' brand, and related beauty products. Strong turnover growth of 19.1% was recorded for the brand during the year, reflecting both its overall quality and the high level of investment the Group has made in it, including the very successful adoption of celebrity Christine Kuo as the face of Glycel.

Part of the Group's Glycel strategy is to continuously enrich and expand the range of products and services associated with the brand. In the year, this has included the launch of a range of new 'G-Power' meridian massage and slimming therapy treatments, H2 Power Jet technology to deliver a range of H2 Flawless treatments, along with products such as a new Hydro Firm Super-Collagen Power Mask and The Eye Serum.

The quality and innovation associated with Glycel services and products has driven strong growth since the brand's acquisition, pushing up growth even in the year under review despite the serious disruptions that Hong Kong has experienced. This popularity prompted the Group to open three new Glycel outlets in the year, bringing the total store network in Hong Kong to 17, with a further Glycel outlet operating in Macau.

Product Sales

Erno Laszlo

The social disturbances of the second half of the year have had an impact on the performance of this brand, due to its traditional popularity among Mainland visitors. The fall-off in tourists arriving from the Mainland was partly responsible for a drop in sales of 4.5% year-on-year. In addition, the closure of one Erno Laszlo branch at Festival Walk reduced the exposure of the brand while a new Erno Laszlo outlet in Shatin New Town Plaza was opened in November 2019. At year end, therefore, the number of Erno Laszlo branches operating had fallen to four, from five the previous year.

Eurobeauté and DermaSynergy

The Eurobeauté brand includes a range of products used in and sold to customers at the Group's spas and beauty centres. DermaSynergy represents another of the Group's self-owned brands that offers various skincare and related beauty products for consumers, mostly sold at Oasis Medical Centres. In the year, the challenging retail environment of the second half saw these two brands experience sales reductions of 19.9% and 16.3% respectively.

Water Juicery

In January 2019, the Group acquired the "Water Juicery" brand, an established operation offering freshly made cold-pressed juice drinks with health and beauty benefits for online ordering. With a customer base already in place and a dedicated website operating, the Group expected to create a synergy effect on its operations in overall.

H2O+

The Group has continued to represent this longstanding US skincare brand in Hong Kong. In line with local conditions, sales fell by 40.6% year-on-year, partly as a result of the Group's decision to close an underperforming H2O+ outlet during the year.

Prospects

At the time of writing, the social movement in Hong Kong remains unresolved and the city continues to experience significant disruptions to daily life. This has had a significant effect on many retailers across the spectrum, as shopping patterns and habits have changed. The Group recognises that the longer this situation continues, the more impact it may have on its own operations.

Nevertheless, the Group's strategic business model gives it quiet confidence in its ability to weather any storm and continue to attract steady customers. Its realignment towards service and away from product, and its direct focus on local (Hong Kong) consumers, both mean that it has been much less affected by the fall in visitor numbers to Hong Kong of the past few months, and the reduction in shopping among residents. Although some of the Group's beauty service users are adjusting the timing of their treatments, demand for beauty services remains strong and the Group is in a good position to nurture that demand going forward.

To do so, the Group intends to place even greater emphasis on further building its online presence and e-commerce options. This covers marketing, customer engagement and booking, and online product sales. It plans to devote more resources to enhancing its existing social media presence and boosting its online advertising and marketing tools. At the same time, it is working to simplify the customer registration process, making it easier for new customers to sign up online while also giving its data analysts access to valuable new data on customer trends and profiles.

As for e-commerce, the Group has already noted that its online payments rose by 156% year-on-year, signalling a major new sales channel that awaits further development. In the year ahead it will further enhance the e-shopping capabilities on the websites of its brands Glycel, Eurobeauté and Erno Laszlo. The online-only brand O~KO! beauty will also be supported further, delivering high quality lower-cost beauty products directly to younger users.

One side-effect of the social unrest has been a softening in market rents, and the Group will look to negotiate further with landlords as lease renewals arise to continue to keep rental costs under tight control. In terms of staff numbers, the Group remains committed to retaining a high staff-customer ratio and supporting its staff through challenging times. Its goal is to try to retain existing staff and to add new expertise where appropriate.

The strong performance this year of the Group's Oasis Beauty centres in Beijing has prompted the Group to continue its search for other locations in that city that might be suitable for its Oasis Beauty services. It is also looking across the border to the southern part of the PRC for similar potential locations.

After such a promising performance across a difficult year, the Group has every reason to be quietly confident about prospects for the year ahead. Its focus for repeating this level of performance will be on maintaining the management excellence that has brought it so far; nurturing its loyal customers who have supported the Group through thick and thin; and continuing its strategic direction towards a service-oriented business offering high-value services for both men and women. Its tactical moves to do this will include balancing prudent cost-controls against steady investment in new treatments and new equipment.

In summary, the Group sees a year ahead in which it will continue to leverage its proven strengths to further consolidate its reputation in the market as a leading beauty services provider that offers a wide range of trusted, efficacious treatments, delivered by expert staff in relaxing and comfortable environments. In today's fast-paced and sometimes stressful world, it is believed this level of service excellence has a place that will always be in demand. With the support of stakeholders across the spectrum, the Group is confident it can continue to deliver.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 69, 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 and the uncle of Mr. Tam Siu Kei.

Mr. TAM Siu Kei, aged 42, is the Chief Executive Officer of the Group (the "CEO") since 15th March, 2017 and is an executive director of the Company since 1st February, 2019. Mr. Tam is also a director of certain subsidiaries of the Company. 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 and Acting Senior Supervisor of Hong Kong Road Safely Patrol. Mr. Tam holds a Bachelor of Arts Degree in Contemporary English Language. Mr. Tam is the son of 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.

Ms. YU Lai Chu, Eileen, aged 67, 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 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 64, 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 Ms. Yu Lai Chu, Eileen and the aunt of Mr. Tam Siu Kei.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. WONG Lung Tak, Patrick, B.B.S., J.P., aged 71, 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, 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), Real Nutriceutical Group Limited and National Arts Entertainment and Culture Group Limited from 19th June, 2004 to 3rd October, 2016, from 28th June, 2010 to 23rd June, 2017, from 28th March, 2008 to 12th October 2017, and from 3rd February, 2010 to 31st December, 2018 respectively. All companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, Duffy, B.B.S., J.P., aged 66, 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, a member of the Torture Claims Appeal Board and the Guardianship Board.

Dr. WONG Chi Keung, aged 64, 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. AU Moon Ying, Henry, aged 53, 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, 2019.

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, 2019.

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, 2019 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, Dr. Wong Chi Keung and Ms. Lai Yin Ping will retire as directors and, being eligible, offer themselves for re-election.

The family relationships among the Board members, if any, are disclosed under "Directors and Senior Management" section in this annual report. 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 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 6 times during the year ended 30th September, 2019.

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, Board committees meetings and annual general meeting during the year ended 30th September, 2019 are set out in the table below:

	Number of meetings attended/held						
Directors	Board	Audit Committee	Remuneration Committee	Investment Advisory Committee	Nomination Committee	Disclosure Committee	Annual General Meeting
Executive directors							
YU Kam Shui, Erastus	6/6	–	–	1/1	–	–	1/1
TAM Chie Sang (resigned on 1st February, 2019)	0/2	–	–	–	–	–	–
TAM Siu Kei (appointed on 1st February, 2019)	4/4	–	–	–	–	–	1/1
YU Lai Chu, Eileen	5/6	–	–	–	–	–	1/1
LAI Yin Ping	6/6	–	–	–	–	–	1/1
Independent non-executive directors							
WONG Lung Tak, Patrick	6/6	3/3	1/1	1/1	2/2	–	1/1
WONG Chun Nam, Duffy	6/6	3/3	1/1	1/1	2/2	–	1/1
WONG Chi Keung	6/6	3/3	1/1	1/1	2/2	–	1/1

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

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

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

During the year ended 30th September, 2019, 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 (resigned on 1st February, 2019)	Nil	Nil
TAM Siu Kei (appointed on 1st February, 2019)	✓	✓
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 effect 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, 2019, 3 meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2018 with external auditor and also the activities of the Group's risk management and internal control functions, as well as the interim results of 2019.

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 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 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, 2019, 1 Remuneration Committee meeting was held to review and approve the management's remuneration proposals, as well as to recommend 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, 2019 is set out below:

Remuneration band (HK$)	Number of individuals
3,000,001 – 4,000,000	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 86 to 87 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, 2019, 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 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 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, 2019, 2 Nomination Committee meetings were 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 retiring 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. Its terms of reference are available on the respective websites of the Stock Exchange and the Company.

During the year ended 30th September, 2019, 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, 2019 is broken down below:

	2019 HK$'000
Statutory audit	**1,506**
Non-audit services	**465**
Total	**1,971**

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

The responsibilities of the independent auditor with respect to the consolidated financial statements for the year ended 30th September, 2019 are set out in the section "Independent Auditor's Report" on pages 46 to 49 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, 2019. 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, 2019.

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, 2019, in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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, 2019.

UPDATE ON DIRECTOR'S INFORMATION

The changes in director's information subsequent to the interim report of the Company dated 24th May, 2019 and up to the date of this annual report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- The monthly basic salary of Mr. Tam Siu Kei, an executive director and the CEO, has been revised to HK$350,000 with effect from 1st January, 2020.

Environmental, Social and Governance Report

Reporting Period

This Environmental, Social and Governance (the "ESG") Report illustrates and highlights the environment and social performance of the Group from 1st October, 2018 to 30th September, 2019.

Reporting Scope

This ESG report summarises the operating activities and performance of the Group's core and material business in beauty services and beauty products retailing in Hong Kong in respect of corporate social responsibility. The Group has operations in Hong Kong, Macau and Beijing, People's Republic of China. With the aim to optimise and improve the disclosure requirements in this ESG Report, the Group taken initiatives to formulate ESG-related policies, document 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 has been prepared in accordance with the "comply or explain" provisions as well as the "recommended disclosures" of the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). This report has complied with the "comply or explain" provisions of the ESG Guide.

Key Performance Index (the "KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A. Environmental	
A1: Emissions	Emissions Policies and Compliance Carbon Footprint – Greenhouse Gas Emissions Air Emission Hazardous Waste Disposal Non-hazardous Waste Disposal
A2: Use of Resources	Environmental Performance Use of Resources
A3: The Environment and Natural Resources	Environmental Performance The Environment and Natural Resources Towards Sustainable Development
B. Social	
Employment and Labour Practices	
B1: Employment	Human Capital – Total Workforce Employment Policies and Compliance
B2: Health and Safety	Occupational Health and Safety Policies and Compliance
B3: Development and Training	Human Resource Development and Training Policies
B4: Labour Standards	Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	Supply Chain Management
B6: Product Responsibility	Product Responsibility Quality Assurance Process Products and Service-Related Complaints Procedures Protecting Intellectual Property Rights Data Protection and Privacy Policies
B7: Anti-corruption	Anti-corruption Policies and Compliance Conflict of Interest Policy and Compliance Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	Community Care Towards Sustainable Development

Stakeholders' Engagement

Stakeholders' engagement is essential for the Group to understand its stakeholders' expectation and concerns toward the Group and it also helps to identify risks and opportunities regarding the Group's performance, business strategies and future development. Trust is the foundation to build and ensure enduring and long-term relationship with stakeholders, thus; the Group communicates to its internal and external stakeholders through various events and activities to exchange ideas and collect feedbacks in a direct and transparent way to achieve the objectives.

Stakeholders' Engagement

EMPLOYEES

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

COMMUNITY

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

INVESTORS AND SHAREHOLDERS

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

CUSTOMERS

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

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 and sustainability, please send your questions, suggestions and recommendations to the Group as below:

Address: 18/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong
Phone: (852) 2890 7428
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 community, the Group has established environmental policies and processes to ensure efficient use of resources and minimise environmental 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 related hazardous waste and non-hazardous waste being generated during operation was collected, recycled 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.

Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint generated by the Group is disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (the "GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2-e") emission.

Comprising the Group's headquarters, beauty service and medical beauty centres, and retail outlets, the Group's operations cover a total floor area of 9,237.70 square metres ("m^2") and is accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group were 1,133.81 tonnes of carbon dioxide equivalent ("tCO_2-e") (mainly carbon dioxide, methane and nitrous oxide). With the total operations area of 9,237.70 m^2 (2018: 8,259.00 m^2), the emission intensity was 0.123 tCO_2-e/m^2 (2018: 0.177 tCO_2-e/m^2).

The following table highlights the year on year comparison of the Group's carbon footprint:

		2019		2018		
Scope	**Sources of GHG emissions**	**GHG* emissions (in tCO_2-e)**	**Distribution**	**GHG* emissions (in tCO_2-e)**	**Distribution**	**% change**
1	Mobile – Gasoline	56.51	4.94%	52.54	3.59%	7.56%
2	Purchased electricity	1,032.64	92.27%	1,238.52	84.71%	-16.62%
3	Disposal of paper waste	54.20	4.79%	183.26	11.70%	-70.19%
	Fresh water processing	0.40		0.31		
	Sewage water processing	0.16		0.13		
	Total GHG* emissions	**1,143.91**		**1,474.76**		**-22.43%**
	GHG* removals (paper recycled)	**10.10**		**12.71**		**-20.54%**
	Total GHG* emissions after removal	**1,133.81**		**1,462.05**		**-22.45%**
	Emission intensity (tCO_2-e/m^2)	**0.123**		**0.177**		**-30.51%**

* 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 largest GHG emissions of the Group, with over 92% 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. To reduce GHG emissions, the Group has adopted various energy saving measures including deployment of energy-saving lightings, switching off idle lightings, air-conditioning, computers and electrical appliances and equipment, monitoring water consumption, using of digital technology and recycled paper, encouraging the use of public transport and using tele or video conferencing as an alternative to business travels. 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.

Air Emission

Air emission is generated from the use of gasoline or diesel-powered motor vehicles for employee commuting and transportation. Motor vehicles emit a considerable amount of pollutants into the atmosphere. As emission control is essential to reduce the impacts of air pollution to the environment, the Group will continue to consider the possibility of implementing more energy efficient vehicles to minimise the air emissions generated by transportation.

The following table highlights the total air emission of the Group.

Types of Pollutants	Emission Data (kilogram)
Nitrogen Oxides (NO_X)	7.72
Sulphur Dioxide (SO_2)	0.14
Particulate Matter	0.57

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 of the IAQ in all beauty service and medical beauty centres.

Hazardous Waste Disposal

Due to the business nature, the only hazardous waste generated by the Group was the clinical waste generated from medical beauty services and it is classified as hazardous waste under the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). The clinical waste includes used syringes, medical container syringes, needles, cartridges, ampoules, sharp instruments, and surgical dressing and containers. During the reporting period, they were 0.21 tonnes ("t") (2018: 0.24 t) of hazardous waste generated, they were properly disposed of in designated collection containers and were collected by licensed contractor for thermal incineration.

Non-hazardous Waste Disposal

Paper and its related marketing materials and stationery were one of the non-hazardous wastes generated by the Group. The decrease in paper consumption year on year was attributed to the effort of employees in reducing paper consumption and the use of digital technology. Furthermore, about 2.10 t of paper (2018: 2.65 t) related waste were recycled which helped to remove 10.10 tCO_2-e (2018: 12.71 tCO_2-e) during the reporting period.

Uses of Resources

Sustainable use of resources is absolutely vital for the future. The Group encourages efficient use of resources by proactively raising the environmental awareness of employees to manage its business in an environmentally friendly manner.

Energy Consumption – Electricity

The total electricity consumption was 1,633,385 Kilowatt-hour ("kWh") (2018: 1,822,587 kWh), the energy intensity was 176.82 kWh/m^2 (2018: 220.68 kWh/m^2). The Group is actively seeking for more energy efficient equipment to reduce GHG emissions.

Water Consumption

There was no issue in sourcing water that is fit for purpose. The total freshwater consumption was 941 cubic metres ("m^3") (2018: 731 m^3) with emission intensity of 0.63 m^3/m^2 (2018:0.75 m^3/m^2) as derived from some of the beauty and spa services centres with total floor area of 1,498.70 m^2 (2018: 969.20 m^2). The water consumption of the headquarters and some service centres was not documented as they are located in buildings and shopping malls where water usage was included in the management fee; thus, the relevant data was not available. 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.

Fossil Fuel Consumption – Gasoline

There are several motor vehicles being used for transportation purposes A total of 22,385.79 litres ("l") of gasoline (2018: 22,248.76 l) were being used by the Group's own fleet. The emission intensity was 0.07 tCO2-e per capita. The Group conducted regular maintenance on vehicles to ensure optimal performance and enhance energy use.

Paper and Printed Matters Consumption

A total of 11.29 t of paper and printed matters (2018: 5.26 t) was used by administration, marketing, and report publication purposes. Paper waste constituted about 54.20 tCO_2-e of the Group's total GHG emissions (2018: 170.55 tCO_2-e) and the emission intensity was 0.04 tCO_2-e per capita.

Total Packaging Materials 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 40.49 t (2018: 17.47 t) of packaging materials were being 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 there was an increase in the consumption of packaging materials. The Group will continue to monitor its packaging materials consumption as they will be disposed of by the final consumers and ended up in the landfill.

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

The following table summarised the year on year comparison of the non-hazardous waste generated by resources and materials used:

		2019 (in tonnes)	2018 (in tonnes)	% Change
Non-Hazardous Waste	Packaging materials (plastic, foam, carton boxes)	40.49	17.47	131.77%
	Packaging Waste (plastic bottles and containers)	39.60	12.54	215.79%
	Advertising materials (mainly paper, little foamboard)	4.51	5.05	-10.69%
	Paper only#	6.78	5.26	28.90%
	Paper recycled	2.10	2.65	-20.75%

Paper only waste includes paper used for administration, sales and marketing and report publishing

The Environment and Natural Resources

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.

SOCIAL PERFORMANCE

Homan Capital – Total Workforce

As at 30 September 2019, the total workforce of the Group was 755 (2018: 707), the employee composition is listed in the following table;

Employee Structure	Female	Male	18-25	26-35	36-45	46-55	56 and above
2019	95.50%	4.50%	10.73%	35.23%	31.92%	12.85%	9.27%
2018	95.33%	4.67%	11.85%	35.29%	34.03%	10.60%	8.23%

Employment Policies and Compliance

Through the years of experience in the industry, the Group understands that its success and competitiveness are highly dependent on its workforce. The Group has dedicated and competent workforce to support its business expansion strategies. To recognise and encourage its employees, a competitive remuneration and benefit package is established 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 happy and sustainable workforce. 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 following table highlights the annual turnover rate of the Group:

	18-25	26-35	36-45	46-55	56 and above
2019	9.7%	16.6%	14.7%	5.7%	4.5%
2018	11.0%	19.8%	13.5%	4.6%	4.5%

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 are used for better internal 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 get together, it is a special event for the employees to foster team spirit and to promote creativity. It is also an opportunity for the Group to appreciate and recognise the employees for their hard work during the year.

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.

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. Furthermore, employees are provided with personal protection equipment ("PPE") 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.

In view of the recent social movements in Hong Kong, the Group has taken into account the safety of its employees and customers. Different measures have been taken in operations, such as flexible staffing arrangement, shorten service hours and suspension of operations. With the aim to help employees to manage the personal and emotional challenges they encountered in the workplace, in their family life and social life, the Group sponsored a clinical psychology and counselling service in August 2019 by an external consultancy firm dedicated to provide professional help through counselling, psychological assessment and intervention.

Occupational Health and Safety Data	2019	2018
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	5	3
Work injury cases with leave of absence <3 days	2	3
Lost days due to work injury	227.5	17
Work injury rate	6.62	4.18

The work injury rate of the Group was 6.62 (2018: 4.18). 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 Resource 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 10,194 hours of training were conducted.

	2019	2018
Total Number of Employee	755	707
Total Training Hours	10,194	7,306
Employee's Average	13.50	10.33

Labour Practices and Compliance

The Group complies with related employment ordinance and labour laws regarding employment, child and forced labour practices. Recruiting top-performing employees and keeping them happy is a priority of the Group. The recruitment process is strictly abided by the Group's recruitment policy, ensuring the suitable and qualified talents are hired in accordance with the relevant laws, job requirement and candidates' expectation for a fair, happy and sustainable workforce.

Work schedule guidelines are clearly stated on the staff handbook and the working roster of relevant employees are posted in employees' working locations to communicate work time and schedule. 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.

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 45 (2018: 44) beauty related products and service and product suppliers in its approved suppliers' list. Suppliers from France, Germany, Italy, Monaco, Spain, Switzerland, 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 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.

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 Policy and Compliance

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 was no related fraudulent case concluded against the Group.

Community Care

The Group continued its community care by donating to the Wai Yin Association ("Wai Yin"). Wai Yin is a non-profit non-governmental organisation ("NGO") aims to help people in need, including the elderly, children and those suffering from poverty or poor health.

The Group also donated to the Johns Hopkins University's Hong Kong Centre for Talented Youth ("Johns Hopkins CTY"). Johns Hopkins CTY is an NGO dedicated to identifying and developing the talents of academically advanced pre-college students around the world.

Towards Sustainable Development

Consumers have become more concerned about health, wellness and issues such as climate change, natural resource depletion and environmental degradation, and the environmental performance of beauty products has become a key consideration for consumption. At the same time, due to the rising number of beauty blogs and social media, consumers have access to more information and are being driven to more natural and chemical-free alternatives when it comes to beauty and personal care products. The Group has been conscientious in choosing reputable products from cosmetics and personal care manufacturers to ensure customer satisfaction and environmental sustainability. The Group continues to conduct business in every aspect to improve resource efficiency and minimise any potential environmental and social impact to its stakeholders such as its employees and the community members. The Group will strive to be the role model in its industry sector by continuously considering the community and performing its works in an environmentally friendly and sustainable way.

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, 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the operations of beauty services including spas, beauty salons and medical beauty centres as well as the distribution of skincare products in Hong Kong, Macau and PRC. These include the brands of Glycel Skinspa, Oasis Spa, Oasis Beauty, Oasis Homme, Oasis Medical and Oasis Hair Spa 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, 2019 are set out in note 38 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, 2019 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 04 to 05, 06 to 12, 26 to 35 and 111 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 26 to 35 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, 2019 are set out in the consolidated statement of profit or loss on page 50.

The directors have recommended a final dividend of 7.0 HK cents per share for the year ended 30th September, 2019 payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 18th February, 2020. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on Wednesday, 4th March, 2020.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2019 are set out in note 28 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity to the consolidated financial statements on page 54.

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2019 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 111.

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 (resigned on 1st February, 2019)
TAM Siu Kei (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

In accordance with Articles 87(1) and (2) of the Articles of Association and the code provision A.4.2 of the CG Code, Dr. Wong Chi Keung and Ms. Lai Yin Ping will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

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

All directors of the Company are subject to retirement by rotation as required by the Articles of Association and the code provision of CG Code.

Each of the executive directors except Mr. Tam Siu Kei 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. The appointment of Mr. Tam Siu Kei as an executive director does not have a fixed term. 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, 2019, 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%
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 and interest of spouse	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	3,696,000 ordinary	2,294,000 ordinary[(4)]	–	5,990,000 ordinary	0.88%

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) 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 is appointed as an 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 30th September, 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 or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements. On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced the old share option scheme that was expired on 22nd January, 2012.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 30th September, 2019.

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

As at 30th September, 2019, the following corporations and persons, 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, which/who were, directly or indirectly, with 5% interest or more of the issued share capital of the Company:

LONG POSITION IN THE SHARES

Name of substantial shareholders	Capacity/Nature of interest	Number of 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 and the aunt of Mr. Tam Siu Kei, an executive director of the Company and the CEO.

(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 30th September, 2019, no other corporation or person (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 or an entity connected with a director 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, 2019.

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, 2019 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, 2019 are set out in note 39 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.

On 29th January, 2019, one of the subsidiaries of the Company had entered into a sale and purchase agreement with Ms. Yu Lai Si (a 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 Company") at HK$1.05 million. Upon completion, Ms. Yu Lai Si had no interest in the Target Company. The Target Company 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.

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, 2019.

DONATIONS

For the year ended 30th September, 2019, the Group had made charitable and other donations amounting to HK$46,800 (2018: HK$20,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2019, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 50.0% and 33.1% of the Group's total purchase respectively, whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.3% of the Group's total turnover.

At all times during the year ended 30th September, 2019, 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, 2019, the distributable reserves of the Company amounted to approximately HK$57.9 million under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (2018: HK$43.0 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, 2019 amounted to approximately HK$385.6 million (2018: HK$376.6 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2019, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$285.0 million (2018: HK$288.7 million), was approximately 4.7% (2018: 5.8%). Details of the secured mortgage loan are set out in note 27 to the consolidated financial statements.

The Group continues to follow the practice of prudent cash management. The Group has acceptable level of exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territories. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 30th September, 2019.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2019, the Group employed 824 staff (2018: 764 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

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, 2019.

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, 2019.

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, 2019.

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 during the year ended 30th September, 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 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, 2019 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

TAM Siu Kei
Executive Director and CEO

Hong Kong, 13th December, 2019

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 50 to 110, which comprise the consolidated statement of financial position as at 30th September, 2019, 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, 2019, 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.

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, 2019. 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") to which the trademarks and goodwill 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.	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.
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$233,966,000 as at 30th September, 2019. 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, taking into account 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.

Independent Auditor's Report (Continued)

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.

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.

Independent Auditor's Report (Continued)

- 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.

- 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, 13th December, 2019

Consolidated Statement of Profit or Loss

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2019 HK$'000	2018 HK$'000
Turnover	6	**763,981**	708,360
Purchases and changes in inventories of finished goods		**(56,662)**	(54,044)
Other income		**9,123**	8,575
Other gains or losses	7	**(1,575)**	2,524
Staff costs	13	**(325,055)**	(301,282)
Depreciation of property and equipment		**(27,932)**	(16,590)
Finance costs	8	**(339)**	(389)
Other expenses		**(230,934)**	(231,553)
Profit before taxation		**130,607**	115,601
Taxation	9	**(23,248)**	(20,490)
Profit for the year	10	**107,359**	95,111
Profit (loss) for the year attributable to:			
Owners of the Company		**107,690**	95,238
Non-controlling interests		**(331)**	(127)
		107,359	95,111
Earnings per share			
Basic	11	**15.8 HK cents**	12.8 HK cents
Diluted	11	**15.8 HK cents**	12.8 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**107,359**	95,111
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,192)**	(806)
Total comprehensive income for the year	**106,167**	94,305
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**106,482**	94,411
Non-controlling interests	**(315)**	(106)
	106,167	94,305

Consolidated Statement of Financial Position

	Notes	AS AT 30TH SEPTEMBER, 2019 HK$'000	2018 HK$'000
Non-current assets			
Intangible assets	15	**59,041**	59,162
Goodwill	16	**3,012**	3,012
Investment properties	17	**233,966**	233,604
Property and equipment	18	**112,271**	76,287
Rental deposits	19	**29,248**	27,160
Deferred tax assets	31	**9,603**	4,103
		447,141	403,328
Current assets			
Inventories	20	**39,182**	36,903
Trade receivables	21	**29,818**	28,677
Contract costs	22	**49,989**	–
Prepayments		**10,930**	82,933
Other deposits and receivables		**10,834**	10,836
Tax recoverable		**74**	–
Bank balances and cash	23	**385,580**	376,571
		526,407	535,920
Current liabilities			
Trade payables	24	**7,322**	7,059
Accruals, other payables and provisions		**83,116**	74,152
Receipts in advance	25	**–**	516,196
Contract liabilities	26	**544,496**	–
Secured mortgage loan – due within one year	27	**3,525**	3,446
Tax payable		**26,272**	23,362
		664,731	624,215
Net current liabilities		**(138,324)**	(88,295)
Total assets less current liabilities		**308,817**	315,033

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	28	**68,055**	67,945
Reserves		**210,017**	213,762
Equity attributable to owners of the Company		**278,072**	281,707
Non-controlling interests		**6,961**	7,034
Total equity		**285,033**	288,741
Non-current liabilities			
Secured mortgage loan – due after one year	27	**9,934**	13,191
Deferred tax liabilities	31	**13,850**	13,101
		23,784	26,292
		308,817	315,033

The consolidated financial statements on pages 50 to 110 were approved and authorised for issue by the Board of Directors on 13th December, 2019 and are signed on its behalf by:

TAM Siu Kei
Executive Director and CEO

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, 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 income (expense) 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 option (note 28)	350	3,667	–	–	–	–	(566)	–	–	3,451	–	3,451
Share repurchased and cancelled (note 28)	(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
Effect of adoption of HKFRS 15 (note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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 year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**107,690**	**107,690**	**(331)**	**107,359**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(1,208)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,208)**	**16**	**(1,192)**
Total comprehensive income (expense) for the year	**–**	**–**	**(1,208)**	**–**	**–**	**–**	**–**	**–**	**107,690**	**106,482**	**(315)**	**106,167**
2018 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,430)**	**(37,430)**	**–**	**(37,430)**
2019 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,444)**	**(54,444)**	**–**	**(54,444)**
Issue of shares upon exercise of share options (note 28)	**110**	**1,153**	**–**	**–**	**–**	**–**	**(178)**	**–**	**–**	**1,085**	**–**	**1,085**
Share options lapsed (note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,683)**	**–**	**1,683**	**–**	**–**	**–**
Acquisition of a subsidiary (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**242**	**242**
	110	**1,153**	**–**	**–**	**–**	**–**	**(1,861)**	**–**	**(90,191)**	**(90,789)**	**242**	**(90,547)**
At 30th September, 2019	**68,055**	**1,153**	**21,220**	**(1,766)**	**450**	**1,797**	**–**	**(589)**	**187,752**	**278,072**	**6,961**	**285,033**

(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,	
	2019	2018
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**130,607**	115,601
Adjustments for:		
Amortisation of intangible assets	**115**	115
Depreciation of property and equipment	**27,932**	16,590
Gain on fair value change of investment properties	**(362)**	(2,866)
Interest expenses on secured mortgage loan	**339**	389
Interest income on bank deposits	**(5,480)**	(4,012)
Net loss on disposal/write-off of property and equipment	**911**	488
Impairment of intangible asset	**510**	–
Impairment of goodwill	**486**	–
Operating cash flows before movements in working capital	**155,058**	126,305
Increase in inventories	**(2,293)**	(6,861)
Increase in trade receivables	**(1,108)**	(590)
Increase in rental deposits, prepayments, other deposits and receivables	**(579)**	(11,109)
Increase in contract costs	**(1,815)**	–
Increase in contract liabilities	**31,309**	–
Increase (decrease) in trade payables	**230**	(50)
Increase (decrease) in accruals, other payables and provisions	**6,497**	(853)
Increase in receipts in advance	**–**	60,892
Cash generated from operations	**187,299**	167,734
Hong Kong Profits Tax paid	**(17,559)**	(9,676)
The PRC Enterprise Income Tax paid	**(4,359)**	(2,294)
The PRC Enterprise Income Tax refunded	**56**	–
Net cash from operating activities	**165,437**	155,764

Consolidated Statement of Cash Flows
(Continued)

	Note	FOR THE YEAR ENDED 30TH SEPTEMBER, 2019 HK$'000	2018 HK$'000
Investing activities			
Purchase of property and equipment		**(64,724)**	(63,771)
Acquisition of a subsidiary	32	**(1,006)**	–
Interest received on bank deposits		**4,999**	4,012
Proceeds on disposal of property and equipment		**466**	617
Additions in intangible assets		**–**	(101)
Net cash used in investing activities		**(60,265)**	(59,243)
Financing activities			
Dividends paid		**(91,874)**	(51,002)
Repayment of secured mortgage loan		**(3,178)**	(2,863)
Interest paid on secured mortgage loan		**(344)**	(359)
Proceeds from issue of shares upon exercise of share options		**1,085**	3,451
Payment on repurchase of shares		**–**	(70,400)
Net cash used in financing activities		**(94,311)**	(121,173)
Net increase (decrease) in cash and cash equivalents		**10,861**	(24,652)
Cash and cash equivalents at beginning of the year		**376,571**	402,430
Effect of foreign exchange rate changes		**(1,852)**	(1,207)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**385,580**	376,571

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 principal subsidiaries are engaged in the operations of beauty services including spas, beauty salons and medical beauty centres as well as the distribution of skincare products in Hong Kong, Macau and PRC.

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, 2019, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new and amendments to HKFRSs and the interpretation 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.

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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 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.

The Group recognises revenue from the following major sources:

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4 respectively.

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)

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were recognised in the 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	Adjustments	Carrying amounts under HKFRS 15 at 1st October, 2018
	HK$'000	HK$'000	HK$'000
Non-current asset			
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, other payables and provisions (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 liability			
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, other payables and provisions respectively.

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarised the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30th September, 2019 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Non-current asset			
Deferred tax assets	9,603	(3,558)	6,045
Current assets			
Prepayments (note (a))	10,930	74,335	85,265
Contract costs (note (a))	49,989	(49,989)	–
Current liabilities			
Receipts in advance (note (b))	–	545,341	545,341
Accruals, other payables and provisions (note (b))	83,116	(845)	82,271
Contract liabilities (note (b))	544,496	(544,496)	–
Tax payable	26,272	229	26,501
Capital and reserves			
Reserves	210,017	20,210	230,227
Non-current liability			
Deferred tax liabilities	13,850	349	14,199

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

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Other expenses	(230,934)	1,677	(229,257)
Profit before taxation	130,607	1,677	132,284
Taxation	(23,248)	(774)	(24,022)
Profit for the year	107,359	903	108,262
Exchange differences arising on translation of foreign operations	(1,192)	(21)	(1,213)
Total comprehensive income for the year	106,167	882	107,049

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Included in operating cash flows			
Profit before taxation	130,607	1,677	132,284
Operating cash flows before movements in working capital	155,058	1,677	156,735
Increase in rental deposits, prepayments, other deposits and receivables	(579)	(3,492)	(4,071)
Increase in contract costs	(1,815)	1,815	–
Increase in contract liabilities	31,309	(31,309)	–
Increase in accruals, other payables and provisions	6,497	1,288	7,785
Increase in receipts in advance	–	30,021	30,021

Notes:

(a) Contract cost of approximately HK$49,989,000 would be classified by the Group as prepayments without application of HKFRS 15 as at 30th September, 2019. Deferred expenses of approximately HK$24,346,000 would be adjusted with corresponding adjustments from retained profits and consolidated statement of profit or loss and other comprehensive income to prepayment without application of HKFRS 15 as at 30th September, 2019.

(b) Contract liabilities and accruals, other payables and provisions of approximately HK$544,496,000 and HK$845,000, respectively, would be classified by the Group as receipts in advance without application of HKFRS 15 as at 30th September, 2019.

3.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has 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 has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1st October, 2018 (date of initial application) and has not applied the requirements to instruments that have 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, without restating comparative information.

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

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

3.2 HKFRS 9 "Financial Instruments" and the related amendments (Continued)

Accounting policies resulting from the application of HKFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12 months ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

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 HKFRS 9 had no material effect on the measurement of financial assets and the application of impairment under ECL model on the Group's financial assets had no material impact to the consolidated financial statements of the Group.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019

2 Effective for annual periods beginning on or after 1st January, 2021

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

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

5 Effective for annual periods beginning on or after 1st January, 2020

In addition to the above new and amendments to HKFRSs and an interpretation, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRSs, will be effective for annual periods beginning on or after 1st January, 2020.

Except for the new HKFRS and the revised Conceptual Framework for Financial Reporting mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and an interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 by the Group.

Other than certain requirements which are also applicable to lessor, 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, 2019, the Group had non-cancellable operating lease commitments of approximately HK$252,504,000 as disclosed in note 34(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 of HK$29,248,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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

Conceptual Framework for Financial Reporting 2018 (the "Revised Framework") and the Amendments to References to the Conceptual Framework in HKFRSs

The Revised Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the Revised Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1st January, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the Revised Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

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 Group's cash-generating units (or group 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 (or a group of cash-generating units) 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 (or a group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount 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 (or a group of cash-generating units).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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 or 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 or 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of skincare products is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customers or at the point of purchase by customers.

Revenue from provision of services in beauty salons, spas, medical beauty centres and other businesses is recognised over time by reference to output method to measure 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 good or service underlying each performance obligation is determined at the contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects 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.

Customer loyalty scheme

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. A contract liability for the award credits is recognised at the time of the initial sale transaction. Revenue is recognised when the award credits expired or are redeemed and the Group's obligations have been fulfilled.

Unutilised prepaid packages

An expected breakage amounts are determined based on the Group's historical experience and are recognised as revenue in proportion to the pattern of prepaid packages utilised by the customers.

Revenue Recognition (prior to 1st October, 2018)

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, under the Group's customer loyalty scheme, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (prior to 1st October, 2018) (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, intangible assets and contract costs other than goodwill below). Amortisation for such licences is provided on a straight-line method over the licence period. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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, intangible assets and contract costs other than goodwill below).

An intangible asset is derecognised or disposal, or when no future economic benefit are expected from use or disposal. 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, Intangible Assets and Contract Costs 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, intangible assets with finite useful lives and contract costs 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). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on Tangible, Intangible Assets and Contract Costs other than Goodwill (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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 group of cash-generating units. 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 group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a group of cash-generating units) 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 group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initial measured in accordance with HKFRS 15 since 1st October 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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 increase in the likelihood or risk of a default occurring since initial recognition.

(i) 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transition in accordance with note 3) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transition in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL (Continued)

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 loss or reversal of impairment loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st October, 2018)

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.

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 (before application of HKFRS 9 on 1st October, 2018)

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 reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1st October, 2018) (Continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables 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.

Derecognition of financial assets

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.

Financial liabilities and equity instruments

Classifications as debt or equity

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 Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

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 of financial liabilities

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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee Benefits

Employee leave entitlements

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

Pension obligations

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

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value 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.

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).

Leases

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Group as Lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease assets.

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") to which the trademarks and goodwill 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.

As at 30th September, 2019, the carrying amount of trademarks and goodwill is HK$58,896,000 (2018: HK$58,896,000) and HK$3,012,000 (2018: HK$3,012,000) respectively. Details of the recoverable amount calculation are disclosed in note 16.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade receivables

The ECL assessment is based on the Group's historical default rates takes into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL assessment and the Group's trade receivables are disclosed in note 37 and note 21 respectively.

Valuation of investment properties

Investment properties were carried at its fair value in the consolidated statement of financial position as at 30th September, 2019 and 2018. Details of which are disclosed in note 17 to these consolidated financial statements. 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.

As at 30th September, 2019, the carrying amount of investment properties is HK$233,966,000 (2018: HK$233,604,000), with an increase in fair value of HK$362,000 (2018: increase of HK$2,866,000) recognised in profit or loss for the year ended 30th September, 2019.

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) Product segment – the sales of skincare products
(ii) Service segment – provision of services in beauty salons, spas, medical beauty centres and other businesses

(i) Disaggregation of revenue from contracts with customers

Turnover recognised during the year are as follows:

	2019		
	Product segment HK$'000	Service segment HK$'000	Total HK$'000
Time of revenue recognition			
At a point of time	139,132	–	139,132
Over time	–	624,849	624,849
	139,132	624,849	763,981

6. TURNOVER AND SEGMENT INFORMATION (Continued)

(ii) Performance obligations for contracts with customers

Revenue from sales of skincare products is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customers or at the point of purchase by customers.

Revenue from provision of services in beauty salons, spas, medical beauty centres and other businesses is recognised over time by reference to output method to measure 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.

For the year ended 30th September, 2018

Turnover recognised during the year are as follows:

	HK$'000
Product segment	147,462
Service segment	560,898
	708,360

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:

	Product segment		Service segment		Elimination		Consolidated	
	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	**139,132**	147,462	**624,849**	560,898	**–**	–	**763,981**	708,360
Inter-segment sales	**21,108**	22,803	**–**	–	**(21,108)**	(22,803)	**–**	–
Total	**160,240**	170,265	**624,849**	560,898	**(21,108)**	(22,803)	**763,981**	708,360
Segment results	**32,358**	39,936	**174,720**	147,878	**–**	–	**207,078**	187,814
Other income							**9,123**	8,575
Other gains or losses							**(1,575)**	2,524
Finance costs							**(339)**	(389)
Central administrative costs							**(83,680)**	(82,923)
Profit before taxation							**130,607**	115,601

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:

	Product segment		Service segment		Consolidated	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	**4,588**	2,622	**23,344**	13,968	**27,932**	16,590
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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong and Macau	**733,471**	684,117	**374,192**	335,758
The PRC	**30,510**	24,243	**1,438**	1,559
	763,981	708,360	**375,630**	337,317

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

	2019 HK$'000	2018 HK$'000
Gain on fair value change of investment properties	**362**	2,866
Net loss on disposal/write-off of property and equipment	**(911)**	(488)
Net exchange (loss)/gain	**(30)**	146
Impairment of intangible assets	**(510)**	–
Impairment of goodwill	**(486)**	–
	(1,575)	2,524

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on secured mortgage loan	**339**	389

9. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	**19,998**	18,152
The PRC Enterprise Income Tax ("EIT")	**4,945**	2,802
Over provision in prior years	**(248)**	(638)
	24,695	20,316
Deferred taxation (note 31)	**(1,447)**	174
	23,248	20,490

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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, 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% (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 as set out in note 31.

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

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

	2019 HK$'000	2018 HK$'000
Profit before taxation	**130,607**	115,601
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**21,550**	19,074
Effect of different tax rates applied in other jurisdictions	**997**	523
Tax effect of income not taxable for tax purpose	**(971)**	(1,093)
Tax effect of expenses not deductible for tax purpose	**1,347**	1,839
Utilisation of tax losses previously not recognised	**(1,057)**	(1,134)
Tax effect of tax losses not recognised	**1,487**	1,230
Over provision in prior years	**(248)**	(638)
Tax effect of withholding tax arising from undistributed profits of subsidiaries	**879**	497
Income tax at concessionary rate	**(165)**	(165)
Others	**(571)**	357
Taxation for the year	**23,248**	20,490

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,506**	1,281
Amortisation of intangible assets	**115**	115
Bank charges	**34,041**	29,282
Marketing expenses	**24,248**	29,595
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**101,925**	103,229
– contingent rents	**3,428**	3,397
and after crediting:		
Interest income on bank deposits	**5,480**	4,012
Rental income from investment properties net of negligible direct operating expenses	**3,134**	4,176

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:

	2019 HK$'000	2018 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**107,690**	95,238

	Number of shares	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,333,860**	741,214,408
Effect of dilutive potential ordinary shares – share options of the Company	**429,241**	109,713
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,763,101**	741,324,121

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividend declared and paid of 8.0 HK cents (2018: 3.0 HK cents) per share	**54,444**	20,384
Final dividend proposed after the end of the reporting period of 7.0 HK cents (2018: 5.5 HK cents) per share	**47,639**	37,430
	102,083	57,814

12. DIVIDENDS (Continued)

The 2019 final dividend of 7.0 HK cents (2018: 5.5 HK cents) per share, amounting to approximately HK$47,639,000 (2018: HK$37,430,000), has been proposed by the directors of the Company 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, 2019 were approximately HK$91,874,000 (2018: HK$51,002,000).

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Wages, salaries, bonuses and allowances	**313,002**	290,967
Pension costs – defined contribution plans	**12,053**	10,315
	325,055	301,282

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	2019 Total emoluments HK$'000	2018 Total emoluments HK$'000
Yu Kam Shui, Erastus(4)(6)	–	897	1,847	–	**2,744**	2,260
Tam Chie Sang(8)	–	345	1,847	–	**2,192**	2,263
Yu Lai Chu, Eileen	–	897	1,847	–	**2,744**	2,260
Lai Yin Ping	–	897	1,847	18	**2,762**	2,278
Wong Lung Tak, Patrick(1)(2)(3)(4)(5)(6)	238	–	–	–	**238**	200
Wong Chun Nam, Duffy(1)(2)(3)(4)(5)(6)	238	–	–	–	**238**	200
Wong Chi Keung(1)(2)(3)(4)(5)(6)	238	–	–	–	**238**	200
Tam Siu Kei(7)	–	4,342	1,600	18	**5,960**	4,660
Total for the year 2019	714	7,378	8,988	36	**17,116**	
Total for the year 2018	600	7,655	6,027	39		14,321

(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) CEO and appointed as an executive director with effect from 1st February, 2019
(8) Resigned as an executive director with effect from 1st February, 2019

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, one (2018: nil) was a director of the Company. Emoluments payable to the five (2018: five) individuals during the year were as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries and other allowances	**19,609**	18,257
Bonuses	**1,600**	1,004
Retirement benefit costs	**90**	90
	21,299	19,351

Their emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$3,000,001 – HK$3,500,000	**–**	2
HK$3,500,001 – HK$4,000,000	**3**	1
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–
	5	5

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

15. INTANGIBLE ASSETS

	Licence fees HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1st October, 2017	376	58,896	59,272
Additions	101	–	101
Exchange realignment	(16)	–	(16)
At 30th September, 2018	461	58,896	59,357
Acquisition of a subsidiary (note 32)	**–**	**510**	**510**
Exchange realignment	**(18)**	**–**	**(18)**
At 30th September, 2019	**443**	**59,406**	**59,849**
ACCUMULATED AMORTISATION			
At 1st October, 2017	88	–	88
Charged for the year	115	–	115
Exchange realignment	(8)	–	(8)
At 30th September, 2018	195	–	195
Charged for the year	**115**	**–**	**115**
Exchange realignment	**(12)**	**–**	**(12)**
At 30th September, 2019	**298**	**–**	**298**
IMPAIRMENT			
As 1st October, 2017 and 30th September, 2018	–	–	–
Impairment loss recognised in the year	**–**	**510**	**510**
At 30th September, 2019	**–**	**510**	**510**
CARRYING VALUE			
At 30th September, 2019	**145**	**58,896**	**59,041**
At 30th September, 2018	266	58,896	59,162

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 January 2019, the Group acquired a subsidiary which is engaged in producing and selling of freshly made cold-pressed fruit juice, as further detailed in note 32. As at 30th September, 2019, the management of the Company conducted an impairment assessment and determined that the recoverable amount of this CGU is less than its carrying value and impairment loss on trademark of HK$510,000 was recognised in profit or loss. In the opinion of the management, the trademarks other than the above-mentioned have no other impairment for both years.

16. GOODWILL

	HK$'000
COST	
At 1st October, 2017 and 30th September, 2018	3,012
Arising on acquisition of a subsidiary (note 32)	**486**
At 30th September, 2019	**3,498**
IMPAIRMENT	
At 1st October, 2017 and 30th September, 2018	–
Impairment loss recognised in the year (note)	**486**
At 30th September, 2019	**486**
CARRYING VALUE	
At 30th September, 2018 and 30th September, 2019	**3,012**

Note: In January 2019, the Group acquired a subsidiary which is engaged in producing and selling of freshly made cold-pressed fruit juice, as further detailed in note 32. As at 30th September, 2019, the management of the Company conducted an impairment assessment and determined that the recoverable amount of this CGU is less than its carrying value and an impairment loss on goodwill of HK$486,000 was recognised in profit or loss.

The remaining 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, 2019 and 2018, 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% (2018: 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, 2019 and 2018, the management of the Company has determined that there are no other impairment required to be recognised for its CGU containing goodwill or trademarks with indefinite useful lives.

17. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At the beginning of the year	**233,604**	230,738
Increase in fair value recognised in the consolidated statement of profit or loss	**362**	2,866
At the end of the year	**233,966**	233,604

17. INVESTMENT PROPERTIES (Continued)

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

	2019 HK$'000	2018 HK$'000
In Hong Kong	**233,966**	233,604

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, 2019 and 2018 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, 2019 and 2018:

Category	Fair value hierarchy	Fair value at 2019 HK$'000	Fair value at 2018 HK$'000	Valuation methodology	Key unobservable inputs	Range of unobservable inputs 2019	Range of unobservable inputs 2018	Relationship of unobservable inputs to fair value
Commercial properties	Level 3	**233,966**	233,604	Income approach	Monthly market rental per square foot	**HK$80 to HK$410**	HK$89 to HK$370	The higher the market rental, the higher the fair value
					Market yield	**2.7% to 4.7%**	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, 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
Additions	**26,201**	**23,050**	**2,168**	**370**	**12,535**	**400**	**64,724**
Acquisition of a subsidiary (note 32)	**–**	**433**	**–**	**–**	**127**	**17**	**577**
Disposals	**–**	**–**	**(1,446)**	**–**	**–**	**–**	**(1,446)**
Write-off	**–**	**(12,678)**	**–**	**(34)**	**(1,675)**	**(33)**	**(14,420)**
Exchange realignment	**–**	**(177)**	**–**	**(4)**	**(121)**	**(6)**	**(308)**
At 30th September, 2019	**60,719**	**124,262**	**4,791**	**9,639**	**90,596**	**10,216**	**300,223**
Accumulated depreciation							
At 1st October, 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
Provided for the year	**1,661**	**17,428**	**947**	**295**	**7,348**	**253**	**27,932**
Eliminated on disposals	**–**	**–**	**(1,446)**	**–**	**–**	**–**	**(1,446)**
Eliminated on write-off	**–**	**(12,669)**	**–**	**(33)**	**(312)**	**(29)**	**(13,043)**
Exchange realignment	**–**	**(177)**	**–**	**(4)**	**(114)**	**(5)**	**(300)**
At 30th September, 2019	**1,761**	**97,031**	**1,989**	**9,023**	**68,729**	**9,419**	**187,952**
Carrying value							
At 30th September, 2019	**58,958**	**27,231**	**2,802**	**616**	**21,867**	**797**	**112,271**
At 30th September, 2018	34,418	21,185	1,581	542	17,923	638	76,287

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	33⅓%
Computer equipment	33⅓%
Machinery and equipment	16⅔% to 20%
Office equipment, furniture and fixtures	16⅔% to 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

	2019 HK$'000	2018 HK$'000
Finished goods – merchandises	**39,182**	36,903

21. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**29,818**	29,266
Less: allowances for bad and doubtful debts	**–**	(589)
Total trade receivables	**29,818**	28,677

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

	2019 HK$'000	2018 HK$'000
Not due to 30 days	**29,803**	28,654
Over 150 days	**15**	23
	29,818	28,677

As at 30th September, 2019 and 1st October, 2018, trade receivables from contracts with customers amounted to HK$29,818,000 and HK$28,677,000 respectively.

As at 30th September, 2019, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK$15,000 which are past due at the reporting date. Out of the past due balances, HK$15,000 has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

As at 30th September, 2018 included in the Group's trade receivable balances were debtors with an aggregate carrying amount of approximately HK$23,000 which were aged over 150 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.

Details of impairment assessment of trade receivables for the year ended 30th September, 2019 are set out in note 37.

22. CONTRACT COSTS

	2019 HK$'000
Incremental costs to obtain contracts	49,989

Contract costs capitalised as at 30th September, 2019 relate to the incremental sales commissions paid to sales staff whose selling activities resulted in customers entering into contracts for the services in beauty salons, spas, medical beauty centres and other businesses which the services are not rendered by the Group at the reporting date.

Contract costs are recognised as part of staff cost in the consolidated statement of profit or loss in the period in which revenue from the related service is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK$73,702,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

23. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 1.9% (2018: 1.4%) per annum.

24. 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:

	2019 HK$'000	2018 HK$'000
Not due to 30 days	**7,322**	7,059

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.

25. RECEIPTS IN ADVANCE

The balance represented 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.

26. CONTRACT LIABILITIES

	As at 30th September, 2019 HK$'000	As at 1st October, 2018* HK$'000
Sales of skincare products	**4,594**	5,335
Provision of services in beauty salons, spas, medical beauty centres and other businesses	**539,902**	508,728
	544,496	514,063

* The amounts in this column are after the adjustments from the application of HKFRS 15.

	Sales of skincare products HK$'000	Provision of services in beauty salons, spas, medical beauty centres and other business HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	5,325	378,629

27. SECURED MORTGAGE LOAN

	2019 HK$'000	2018 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,525**	3,446
Non-current liabilities	**9,934**	13,191
	13,459	16,637

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

	2019 HK$'000	2018 HK$'000
Within 1 year	**3,525**	3,446
1 year to less than 2 years	**3,332**	3,257
2 years to less than 3 years	**3,409**	3,332
3 years to less than 4 years	**3,193**	3,409
4 years to less than 5 years	**–**	3,193
	13,459	16,637
Less: Amount due within one year shown under current liabilities	**(3,525)**	(3,446)
Amount shown under non-current liabilities	**9,934**	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$233,966,000 as at 30th September, 2019 (2018: HK$233,604,000). It bears interest at 2.85% (2018: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.275% (2018: 2.275%) per annum.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st October, 2017, 30th September, 2018, 1st October, 2018 and 30th September, 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))	3,500,000	350
Shares repurchased and cancelled (note (b))	(88,000,000)	(8,800)
At 30th September, 2018	679,452,764	67,945
Exercise of share options (note (a))	**1,100,000**	**110**
At 30th September, 2019	**680,552,764**	**68,055**

Notes:

(a) During the year ended 30th September, 2019, 1,100,000 (2018: 3,500,000) 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 29 with proceeds of approximately HK$1,085,000 (2018: HK$3,451,000).

(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.

29. SHARE OPTIONS

On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"), which replaced an old share option scheme that expired on 22nd January, 2012. The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the Share Option Scheme, the Board may, on or before 23rd February, 2022, at its discretion, offer to grant share options at an option price of HK$1.00 to any executives and full-time employees, part-time employees with weekly working hours of 10 hours and above, executive or non-executive directors of the Company or any of its subsidiaries, any advisors (professional or otherwise), consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters and service providers to subscribe for shares of the Company, representing (when aggregated with share options granted under any other scheme) initially not more than 10% of the shares in issue as at 24th February, 2012 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.

29. SHARE OPTIONS (Continued)

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.

No share option under the Share Option Scheme was granted and cancelled and 1,100,000 share options were exercised and 10,400,000 share options lapsed during the year ended 30th September, 2019. 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 8.29% 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 year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 30th September, 2019	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	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)	–							

29. SHARE OPTIONS (Continued)

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

	2019		2018	
	Number of share options	Weighted average exercise prices	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**11,500,000**	**HK$0.986**	15,000,000	HK$0.986
Exercised during the year	**(1,100,000)**	**HK$0.986**	(3,500,000)	HK$0.986
Lapsed during the year	**(10,400,000)**	**HK$0.986**	–	–
Outstanding at the end of the year	**–**	**–**	11,500,000	HK$0.986
Exercisable at the end of the year	**–**	**–**	11,500,000	HK$0.986

During the year ended 30th September, 2019, with reference to the share options lapsed under the Share Option Scheme, equity-settled share-based payment expenses of HK$1,683,000 (2018: nil) previously recognised in share options reserve were transferred to retained profits.

30. 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$1,500 per month as a mandatory contribution or 5% of the relevant monthly payroll costs to the MPF Scheme.

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

31. DEFERRED TAXATION

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

	Decelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Contract costs HK$'000	Contract liabilities HK$'000	Receipts in advance HK$'000	Total HK$'000
At 1st October, 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)
Adjustment (note 3)	**–**	**–**	**–**	**3,372**	**1,950**	**(1,950)**	**3,372**
At 1st October, 2018 (restated)	**1,044**	**(9,718)**	**(2,274)**	**3,372**	**1,950**	**–**	**(5,626)**
Exchange realignment	**–**	**–**	**119**	**(9)**	**(133)**	**–**	**(23)**
Acquisition of a subsidiary (note 32)	**39**	**(84)**	**–**	**–**	**–**	**–**	**(45)**
(Charged) credited to the consolidated statement of profit or loss	**(314)**	**84**	**(879)**	**544**	**2,012**	**–**	**1,447**
At 30th September, 2019	**769**	**(9,718)**	**(3,034)**	**3,907**	**3,829**	**–**	**(4,247)**

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:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**9,603**	4,103
Deferred tax liabilities	**(13,850)**	(13,101)
	(4,247)	(8,998)

At the end of the reporting period, the Group had unused tax losses of approximately HK$63,550,000 (2018: HK$83,321,000) 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, 2019 and 2018.

At the end of the reporting period, tax losses of approximately HK$15,187,000 (2018: HK$42,929,000) from overseas subsidiaries will be expired starting from 2020 up to the end of 2024 (2018: starting from 2019 up to the end of 2023). Other unused tax losses may be carried forward indefinitely.

32. ACQUISITION OF A SUBSIDIARY

On 29th January, 2019, the Group had entered into a sales and purchase agreement to acquire 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

Both fair value and gross contractual amounts of trade receivables at the date of acquisition amounted to approximately HK$33,000.

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 year ended 30th September, 2019.

33. PLEDGE OF ASSETS

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:

	2019 HK$'000	2018 HK$'000
Investment properties	**233,966**	233,604

34. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**1,528**	3,539

(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	2019 HK$'000	2018 HK$'000
Not later than 1 year	**2,880**	4,289
More than 1 year but not later than 5 years	**2,439**	5,320
	5,319	9,609

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

As lessees Rental payments	2019 HK$'000	2018 HK$'000
Not later than 1 year	**99,867**	86,331
More than 1 year but not later than 5 years	**152,637**	74,373
	252,504	160,704

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.

35. 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.

	Interest payable, included in accruals, other payables and provisions HK$'000	Secured mortgage loan HK$'000	Dividend payable HK$'000	Total HK$'000
At 1st October, 2017	–	19,500	–	19,500
Interest expenses on secured mortgage loan	389	–	–	389
Financing cash flows	(359)	(2,863)	(51,002)	(54,224)
Dividend declared	–	–	51,002	51,002
At 30th September, 2018	30	16,637	–	16,667
Interest expenses on secured mortgage loan	**339**	**–**	**–**	**339**
Financing cash flows	**(344)**	**(3,178)**	**(91,874)**	**(95,396)**
Dividend declared	**–**	**–**	**91,874**	**91,874**
At 30th September, 2019	**25**	**13,459**	**–**	**13,484**

36. CAPITAL RISK MANAGEMENT

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

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

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

37. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**–**	407,244
Amortised cost	**416,171**	–
Financial liabilities		
Amortised cost	**28,359**	30,235

(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 and Impairment Assessment

As at 30th September, 2019, 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.

Trade receivables arising from contracts with customers

The Group has no significant concentration of customer credit risk, with exposure spread over a number of debtors. A large portion of the Group's turnover are on cash or credit card sales, with the trade receivables primarily retained by banks/credit card companies. The credit risks on trade receivables from banks/credit card companies are limited because the counterparties are banks/ financial institutions with high external credit ratings. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Company performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually.

The Group's concentration of customer credit risk by geographical locations is mainly in Hong Kong and the PRC which accounted for 99% (2018: 99%) of the total trade receivables as at 30th September, 2019.

Other receivables

The credit risk of other receivables are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on the outstanding balances.

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

37. FINANCIAL INSTRUMENTS (Continued)

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

(i) Credit Risk and Impairment Assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost				
Trade receivables	N/A	low risk (note (a))	Lifetime ECL	29,818
Other receivables	N/A	low risk (note (b))	12m ECL	773
Bank balances	Aa2-A3	N/A	12m ECL	385,038

Notes:

(a) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually. The directors of the Company consider the counterparties with good credit worthiness with reference to external credit rating, historical observed default rates over the expected life and adjusted for forward-looking information that is available without undue cost or effort. In the opinion of the directors of the Company, the estimated loss rates of these counterparties are not significant and the Group assessed that the ECL on these balances are insignificant.

(b) For the purpose internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 30th September, 2019, none of the balance is past due. In the opinion of the directors of the Company, the estimated loss rates of these counterparties are not significant and the Group assessed that the ECL on these balances is insignificant.

During the year ended 30th September, 2019, the Group has written off trade receivables of HK$589,000, of which provision of bad debt allowance was fully provided in prior years.

37. FINANCIAL INSTRUMENTS (Continued)

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

(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:

	2019 HK$'000	2018 HK$'000
Assets		
United States Dollar ("US$")	**53,596**	58,184
Liabilities		
US$	**5,424**	5,418

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

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 23 and 27, respectively.

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the bank's Hong Kong Dollar Best Lending Rate as set out in the note 27.

Sensitivity analysis

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

	2019 HK$'000	2018 HK$'000
Financial assets	**30,810**	15,297
Financial liabilities	**13,459**	16,637

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, 2019 would decrease by HK$56,000 (2018: HK$69,000) 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.

37. FINANCIAL INSTRUMENTS (Continued)

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

(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.

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, 2018 and 30th September, 2019, 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	Total undiscounted cash flows HK$'000	Carrying amounts as at 30th September, 2019 HK$'000
2019							
Trade payables	**–**	**5,247**	**2,075**	**–**	**–**	**7,322**	**7,322**
Other payables	**–**	**7,578**	**–**	**–**	**–**	**7,578**	**7,578**
Secured mortgage loan	**2.275**	**587**	**587**	**2,643**	**10,277**	**14,094**	**13,459**
		13,412	**2,662**	**2,643**	**10,277**	**28,994**	**28,359**

	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	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

(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.

38. 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%	Property holding in Hong Kong
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
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

38. 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 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%	Property holding in Hong Kong
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
Oasis Medical Clinic Company Limited	Hong Kong 6th November, 2007	Ordinary share HK$1	100%	Operation of beauty salons and provision of other related services in Hong Kong
WO North China Company Limited	Hong Kong 24th June, 2008	Ordinary shares HK$100,000	100%	Investment holding 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

38. 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)				
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
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
Fancy Cheer Limited	Hong Kong 5th January, 2015	Ordinary shares HK$10,000	70%	Production and sales of cold-pressed fruit juice
Oasis Billion Limited	Hong Kong 22nd August, 2019	Ordinary share HK$1	100%	Inactive

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

Note: These companies are wholly foreign owned enterprises.

39. RELATED PARTY TRANSACTION

(a) Travelling Expenses

	2019 HK$'000	2018 HK$'000
Travelling expenses paid to: – Hip Holiday Limited	**88**	51

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

	2019 HK$'000	2018 HK$'000
Basic salaries	**7,378**	7,655
Bonuses	**8,988**	6,027
Retirement benefit costs	**36**	39
	16,402	13,721

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.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		AS AT 30TH SEPTEMBER,	
	Notes	2019 HK$'000	2018 HK$'000
Non-current asset			
Investment in a subsidiary		**3,000**	3,000
Current assets			
Prepayments		**187**	292
Amounts due from subsidiaries	a	**160,144**	109,221
Bank balances		**1,113**	1,473
		161,444	110,986
Current liability			
Accruals and other payables		**606**	693
Amount due to a subsidiary	a	**36,280**	–
		36,886	693
Net current assets		**124,558**	110,293
Total assets less current liability		**127,558**	113,293
Capital and reserves			
Share capital		**68,055**	67,945
Reserves	b	**59,503**	45,348
Total equity		**127,558**	113,293

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

Notes:

(a) The amount(s) due from subsidiaries and due to a subsidiary are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st October, 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
Profit and total comprehensive income for the year	**–**	**–**	**–**	**105,054**	**105,054**
2018 final dividend paid	**–**	**–**	**–**	**(37,430)**	**(37,430)**
2019 interim dividend paid	**–**	**–**	**–**	**(54,444)**	**(54,444)**
Issue of shares upon exercise of share options	**1,153**	**–**	**(178)**	**–**	**975**
Share options lapsed	**–**	**–**	**(1,683)**	**1,683**	**–**
At 30th September, 2019	**1,153**	**450**	**–**	**57,900**	**59,503**

41. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

Five-Year Financial Summary

	Year ended 30th September,				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**763,981**	708,360	644,831	626,823	691,681
Profit before taxation	**130,607**	115,601	85,721	40,936	68,532
Taxation	**(23,248)**	(20,490)	(16,397)	(11,936)	(16,043)
Profit for the year	**107,359**	95,111	69,324	29,000	52,489
Profit (loss) for the year attributable to:					
Owners of the Company	**107,690**	95,238	69,331	29,063	50,563
Non-controlling interests	**(331)**	(127)	(7)	(63)	1,926
	107,359	95,111	69,324	29,000	52,489
STATEMENT OF FINANCIAL POSITION					
Total assets	**973,548**	939,248	897,292	788,516	750,821
Total liabilities	**(688,515)**	(650,507)	(584,905)	(502,406)	(466,028)
	285,033	288,741	312,387	286,110	284,793
Equity attributable to					
Owners of the Company	**278,072**	281,707	305,247	278,957	277,583
Non-controlling interests	**6,961**	7,034	7,140	7,153	7,210
	285,033	288,741	312,387	286,110	284,793

Corporate Information

DIRECTORS

Executive Directors

Yu Kam Shui, Erastus
Tam Chie Sang (resigned on 1st February, 2019)
Tam Siu Kei *(Chief Executive Officer)*
(appointed as executive director 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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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Hutchins Drive
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KY1-1111
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