



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



昂首向前 Full Glow Ahead 綻放光芒

INTERIM REPORT
中期報告

2020

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The board of directors (the “Board”) of Water Oasis Group Limited (the “Company”) herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 31st March, 2020.

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

Results and Dividend

For the six months ended 31st March, 2020, the Group’s turnover fell by 4.0% by comparison with the same period last year, to approximately HK\$365.9 million (six months ended 31st March, 2019: HK\$381.3 million). This fall reflected an extremely challenging period for all businesses in Hong Kong. The city was affected in the second half of 2019 by the social unrest that widely disrupted normal routines, followed in early 2020 by the outbreak of COVID-19. Both of these events, but especially the latter, led to a reduction in the number of customers willing or able to visit the Group’s beauty service and product sales outlets. In response, the Group moved quickly to leverage its existing online sales platforms to boost sales of its key skincare and beauty brands, with considerable success. Nevertheless, profit for the period amounted to HK\$43.8 million, compared with HK\$55.0 million for the same period last year. Excluding the loss on fair value change of investment properties, profit for the period amounted to HK\$47.3 million, representing a decrease of 14.1% when compared with that of the same period last year.

The Group had approximately HK\$377.7 million in cash in hand as at 31st March, 2020. The Board has resolved to declare an interim dividend of 6.0 HK cents per share (six months ended 31st March, 2019: 8.0 HK cents per share) for the six months ended 31st March, 2020.

Management Discussion and Analysis

The Group’s performance was inevitably affected by the external events of the past six months. However, it is worth noting that the Group’s performance for the first four months of the period (i.e. October 2019 to January 2020) was robust, despite the impact of social unrest, and represented an improvement on its overall performance for the same months in 2018/19. Only with the arrival of COVID-19 and the strict public health measures that followed did the Group see a significant fall-off in performance, as was to be expected. Even so, the decrease in sales recorded by the Group for the period is lower than the average drop for similar market peers.

The Group’s sales mix as at 31st March, 2020 stood at 79.9% services to 20.1% retail with a slight rise in the retail percentage following the increased strong sales of skincare and beauty products via online platforms. The rise in the retail mix, coupled with the effects of the Group running extra promotions in the first three months of 2020 to stimulate sales, caused a small drop in the overall gross profit margin, from 92.7% to 91.6%.

In response to challenging conditions faced in the period, the Group took decisive steps to lower its costs. For example, it managed to lower its advertising expenditure by 52.8% year on year, reducing the percentage of advertising expenditure to revenue to just 0.9% for the period compared with 1.9% for the previous period. This significant reduction in spending partly reflected a move away from expensive traditional media campaigns and a refocusing on social media channels and other online platforms.

Staff costs for the period fell by 3.0%, although as a percentage of revenue they increased slightly to 43.7% from 43.2% the previous year. Staff costs fell partly due to a fall in staff numbers year on year, from 802 to 788, and partly to lower commissions payable and cost-effective measures on redeployment of manpower due to the downturn in revenue across the period.

Due to the social unrest and COVID-19, the Group has actively take corresponding actions in negotiating with various landlords to reduce rentals wherever possible, and closing stores where performance was not strong enough so as to lower the overall rental costs. As a result, total operating expenses for the period under review reduced by approximately 3.8% when compared year on year.

Beauty Services Business

The Group's 'Oasis' brand portfolio is comprised of a range of different beauty service offerings targeting different customer groups. Its Oasis Beauty, Oasis Spa and Oasis Medical Centre primarily serve female customers, offering high quality beauty therapies and treatments. Oasis Homme delivers beauty services for men. Separately, the Group's self-owned Glycel brand offers Glycel 'Skinspa' beauty services, as well as having a retail component selling Glycel brand beauty products.

Overall, Oasis Beauty outlets experienced a fall in turnover for the period by comparison with the previous one due to the negative macro environment, which reduced many customers' movements and hence saw lower volumes of customers willing to visit physical outlets for treatments. On a positive note, however, the expected downturn in its operations has been relatively less marked than the average for the industry. This suggests that its strategies for managing customers and controlling costs have been successful.

Within the Oasis stable, the Group's Oasis Medical Centre continued to prove very successful, managing to record modest turnover growth for the period despite external events. Oasis Medical Centre has been one of the Group's standout success stories of the past few years, and its ability to thrive even in the harsh conditions of the period speaks volumes about the unique and effective services that it offers.

The Group's new Oasis Hair Spa operation, first launched in 2019, have continued to attract an encouraging response in the period. Currently there are three Oasis Hair Spa outlets in operation, all of them located within existing Oasis Beauty premises. They each offer a range of high-end treatments designed to enhance the appearance and general health of the hair and scalp, typically not available at hair salons. As such, Oasis Hair Spa fits well within the Group's wider skincare and bodycare brand profile, and opportunities to expand the number of outlets will be explored in the future.

Although the Group's three self-managed Oasis Beauty centres in the PRC were also affected by the COVID-19 disruptions, recording a small drop in turnover, the Group has been encouraged to note that these business shall recover quickly as the situation has stabilised, indicating strong and persistent demand from PRC customers.

The Glycel brand, combining Skinspa treatment operations with product sales, performed steadily in the period and registered a rise in revenue year on year. A number of new treatments rolled out across the period proved popular, including Essence-in-Oil Rejuvenating Face Treatment and Rollix All-in-one Skin-tightening Extra Treatment.

Capital expenditure for the period fell to almost half of the previous period, at HK\$8.2 million as against HK\$15.2 million. Again, this drop reflects an environment in which the Group strategically postponed store openings and refurbishments while it managed the volatile situation. Nevertheless, it continued to ensure that its equipment was up to date. In October 2019, for instance, it introduced new Ultra 360 equipment in its Oasis Medical Centres for head and upper body treatments, along with advanced Plasonic whitening equipment.

The Group continued to refocus much of its promotional work for the Oasis brands on online and social media channels, which have already proved a powerful and cost-effective way of reaching new customers and keeping existing customers engaged with the brands while they wait for the situation to stabilise.

As at 31st March, 2020, the Group operates 12 Glycel Skinspas; 14 Oasis Beauty centres; 2 Oasis Homme centres; 3 Oasis Hair Spas; 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong. In the PRC, 3 self-managed Oasis Beauty centres continued to operate. One Oasis Beauty Store operates in Macau.

Product Sales Business

The Group operates three self-owned brands (Glycel, Eurobeauté and DermaSynergy) and two licensed brands (Erno Laszlo and H2O+), each of which sell a range of skincare and beauty products. These brand products are available through retail outlets and via online platforms. The serious disruptions to retail operations across Hong Kong during the period naturally caused a downturn in sales for most of the Group's brands. Glycel products continued to supplement and support the Glycel Skinspa services, driving the overall Glycel performance to achieve slight growth. Key Glycel products launched in the period included a new limited edition Essence Lotion in January 2020. In addition, the Erno Laszlo brand managed to increase product sales year on year and deliver modest growth for the period. The Group launched Christmas promotions for its retail brands from September 2019, which generated a very good response due to their excellent value for money.

Meanwhile, the Group's efforts to continue building up its online pipeline for retail sales continued to generate success. It currently operates four different online retail platforms, for Glycel, Erno Laszlo, Eurobeauté, and O~KO! beauty (targeting younger consumers). Overall, online product sales rose by around 150% year on year, bringing in new customers and providing a reliable platform for existing customers who wished to avoid physical shopping. Sales via the Group's online channels helped counteract the shortfall in physical store sales due to the challenges of the period.

As at 31st March, 2020, the Group was operating 2 H2O+ outlets, 5 Erno Laszlo stores, and 6 Glycel stores in Hong Kong. In Macau, it continued to operate a Glycel outlet, and added an Erno Laszlo outlet in October 2019.

Outlook

The events of the past six months have been unprecedented, and the longer-term impact of COVID-19 on the economy and business performance remains uncertain. Following the end of the period under review, the Hong Kong Government required all the beauty treatment centres to shut for 28 days as part of its territory-wide anti-virus measures. Reopening took place in early May 2020. Clearly this period of enforced closure will affect performance in the second half of the year.

While it is unable to predict the direction of the economy in the light of COVID-19 and potential further social unrest in Hong Kong, the Group is quietly confident in its ability to perform steadily if the Hong Kong Government measures to reassure shoppers and stimulate the economy are taken promptly and effectively. At this stage, the Group is anticipating a period of a year or even more for the economy to stabilise and for customers to regain full confidence in the traditional shopping and beauty treatment experiences. The Group is therefore planning to do its utmost to create safe, hygienic shopping and beauty treatment environments in which customers can feel fully relaxed and confident. The Group has already taken a number of steps to enhance the hygiene status of its outlets, ensuring that it is operating fully in line with new Hong Kong Government guidelines.

The Group intends to continue with planned new store openings in the coming months. A combined Oasis Beauty and Oasis Medical Centre flagship outlets are scheduled to open shortly in the prestigious Langham Place in Mong Kok; these will join the existing Glycel operations in the same location. Another Glycel outlet will also be opened in an upmarket shopping mall in Tseung Kwan O in the second half of the year. At the same time, the Group will remain rigorous in appraising the performance of its existing physical stores, and will not hesitate to close down or relocate underperforming stores. It will continue to work hard in its negotiations with landlords to ensure that lease levels remain reasonable in the new environment.

Meanwhile, given the time it may take to fully rebuild public confidence, the Group intends to devote further resources to strengthening and enhancing its e-commerce and online shopping facilities, which are coupled with efficient home delivery options. As noted above, the value of its online platforms was highlighted in the period with online sales rising by around 150% year on year. It makes sound business sense to further highlight this aspect of the Group's operations, especially in the current uncertain environment. With delivery of products ordered online, the Group is increasing the scope of the special offer coupons it includes with deliveries. These are proving very effective in encouraging e-shoppers to consider using the Group's beauty services and keeping them engaged with real-world developments.

The rigorous cost-controls implemented in the period, its tradition of prudent financial management, its flexibility in adapting to challenging environment, and its strong reputation and loyal customer base, have all been important in enabling the Group to ride out the past six months safely and to look ahead with confidence. With the launch of various government subsidy schemes due to COVID-19, the Group has applied the Retail Sector Subsidy Scheme; the Subsidy Scheme for Beauty Parlours, Massage Establishments and Party Rooms as well as the Employment Support Scheme to help offsetting partially the impact of COVID-19 on our beauty service businesses. Assuming that the challenges that have faced Hong Kong in the past six months can be brought under control, the Group believes its customers – primarily Hong Kong locals – will not hesitate to reengage with the brands and services that they trust, while also continuing to take advantage of the Group's convenient and ever-expanding online sales options.

Liquidity and Financial Resources

As at 31st March, 2020, the Group had net current liabilities of approximately HK\$204.0 million (as at 30th September, 2019: HK\$138.3 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2020, the Group had cash reserves of approximately HK\$377.7 million (as at 30th September, 2019: HK\$385.6 million).

As at 31st March, 2020, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$278.7 million (as at 30th September, 2019: HK\$285.0 million) was approximately 4.2% (as at 30th September, 2019: 4.7%). Details of the maturity profile of the secured mortgage loan as set out in note 14 are disclosed in the condensed consolidated financial statements. All borrowings are denominated in Hong Kong dollars. The bank balances and cash are mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

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

Contingent Liabilities

The Group had no significant contingent liability as at 31st March, 2020.

Capital Commitments

As at 31st March, 2020, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK\$0.8 million.

Employees and Remuneration Policy

As at 31st March, 2020, the Group employed 788 staff (as at 30th September, 2019: 824 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

The remuneration policy for the directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the directors and senior management members.

The Group is committed to nurturing a learning culture in the organisation. Heavy emphasis is placed on training and development, as the Group's success is dependent on the effort of a skilled and motivated work force.



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Report on Review of Condensed Consolidated Financial Statements To the Board of Directors of Water Oasis Group Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Water Oasis Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 08 to 25, which comprise the condensed consolidated statement of financial position as of 31st March, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Other Matter

The consolidated financial statements of the Group for the year ended 30th September, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 13th December, 2019. The condensed consolidated financial statements of the Group for the six months period ended 31st March, 2019, were reviewed by another auditor who expressed an unmodified conclusion on those statements on 24th May, 2019.

BDO Limited

Certified Public Accountants

LI Yin Fan

Practising Certificate Number P03113

Hong Kong, 22nd May, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Unaudited Six months ended 31st March,	
		2020	2019
		HK\$'000	HK\$'000
	Notes		
Turnover	5	365,939	381,283
Purchases and changes in inventories of finished goods		(30,716)	(27,756)
Other income		5,562	4,714
Other gains or losses		(4,204)	(82)
Staff costs		(159,882)	(164,900)
Depreciation of property and equipment and right-of-use assets		(48,820)	(13,554)
Finance costs		(3,941)	(177)
Other expenses	6	(67,463)	(112,508)
Profit before taxation		56,475	67,020
Taxation	7	(12,635)	(11,987)
Profit for the period	8	43,840	55,033
Profit (loss) for the period attributable to:			
Owners of the Company		44,000	55,094
Non-controlling interests		(160)	(61)
		43,840	55,033
Earnings per share			
Basic and diluted	9	6.5 HK cents	8.1 HK cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Profit for the period	43,840	55,033
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(287)	684
Total comprehensive income for the period	43,553	55,717
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	43,710	55,789
Non-controlling interests	(157)	(72)
	43,553	55,717

Condensed Consolidated Statement of Financial Position

	Notes	Unaudited As at 31st March, 2020 HK\$'000	Audited As at 30th September, 2019 HK\$'000
Non-current assets			
Intangible assets		58,985	59,041
Goodwill		3,012	3,012
Investment properties	11	230,526	233,966
Property and equipment	11	47,954	112,271
Right-of-use assets		242,821	–
Rental deposits		28,016	29,248
Deferred tax assets		7,323	9,603
		618,637	447,141
Current assets			
Inventories		37,540	39,182
Trade receivables	12	31,536	29,818
Contract costs		50,932	49,989
Prepayments		7,306	10,930
Other deposits and receivables		13,968	10,834
Tax recoverable		1,349	74
Bank balances and cash		377,748	385,580
		520,379	526,407
Current liabilities			
Trade payables	13	2,725	7,322
Accruals, other payables and provisions		66,688	83,116
Contract liabilities		565,024	544,496
Secured mortgage loan – due within one year	14	3,299	3,525
Lease liabilities		76,179	–
Tax payable		10,463	26,272
		724,378	664,731
Net current liabilities			
		(203,999)	(138,324)
Total assets less current liabilities			
		414,638	308,817
Capital and reserves			
Share capital	15	68,055	68,055
Reserves		203,834	210,017
Equity attributable to owners of the Company			
		271,889	278,072
Non-controlling interests			
		6,804	6,961
Total equity			
		278,693	285,033
Non-current liabilities			
Secured mortgage loan – due after one year	14	8,269	9,934
Lease liabilities		113,483	–
Deferred tax liabilities		14,193	13,850
		135,945	23,784
		414,638	308,817

Condensed Consolidated Statement of Changes in Equity

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

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Statutory fund reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1st October, 2019 (audited)	68,055	1,153	21,220	(1,766)	450	1,797	-	(589)	187,752	278,072	6,961	285,033
Effect of adoption of HKFRS 16 (Note 3)	-	-	-	-	-	-	-	-	(2,254)	(2,254)	-	(2,254)
At 1st October, 2019 (restated)	68,055	1,153	21,220	(1,766)	450	1,797	-	(589)	185,498	275,818	6,961	282,779
Profit (loss) for the period	-	-	-	-	-	-	-	-	44,000	44,000	(160)	43,840
Other comprehensive income (expense) for the period:												
Exchange differences arising on translation of foreign operations	-	-	(290)	-	-	-	-	-	-	(290)	3	(287)
Total comprehensive income (expense) for the period	-	-	(290)	-	-	-	-	-	44,000	43,710	(157)	43,553
2019 final dividend paid	-	-	-	-	-	-	-	-	(47,639)	(47,639)	-	(47,639)
At 31st March, 2020 (unaudited)	68,055	1,153	20,930	(1,766)	450	1,797	-	(589)	181,859	271,889	6,804	278,693

Condensed Consolidated Statement of Cash Flows

Unaudited
Six months ended
31st March,

	Note	2020 HK\$'000	2019 HK\$'000
Net cash from operating activities		81,917	92,853
Net cash used in investing activities:			
Purchase of property and equipment		(8,187)	(15,227)
Acquisition of a subsidiary		–	(1,006)
Other investing cash flows		2,004	3,086
		(6,183)	(13,147)
Net cash used in financing activities:			
Dividends paid	10	(47,639)	(37,430)
Repayment of principal portion of lease liabilities		(29,642)	–
Other financing cash flows		(5,857)	(938)
		(83,138)	(38,368)
Net (decrease) increase in cash and cash equivalents		(7,404)	41,338
Cash and cash equivalents at beginning of the period		385,580	376,571
Effect of foreign exchange rate changes		(428)	1,147
Cash and cash equivalents at end of the period, represented by bank balances and cash		377,748	419,056

Notes to the Condensed Consolidated Financial Statements

1. General Information

Water Oasis Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 27th September, 2001 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of this interim report. Its issued shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11th March, 2002.

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution of skincare products in Hong Kong, Macau and the People’s Republic of China (the “PRC”) and the operation of beauty salons, spas and medical beauty centres in Hong Kong, Macau and the PRC during the period.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) which is the functional currency of the Company. The condensed consolidated financial statements were approved for issue by the Board of Directors (the “Board”) on 22nd May, 2020.

2. Basis of Preparation

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

The condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2019.

3. Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) effective for the first time for annual periods beginning on 1st October, 2019, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2020 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2019.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The impact of the adoption of HKFRS 16 “Leases” has been summarised below.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group adopted HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect from initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 30th September, 2019 to that of 1st October, 2019 as follows:

	Increase/(decrease) HK\$'000
Consolidated Statement of Financial Position as at 1st October, 2019	
Right-of-use assets	216,489
Property and equipment	(60,917)
Rental deposits	(1,734)
Deferred tax assets	683
Deferred tax liabilities	(80)
Accruals, other payables and provisions	(1,582)
Lease liabilities (current)	56,567
Lease liabilities (non-current)	101,870
Retained profits	(2,254)

Leasehold land and buildings amounted to approximately HK\$58,959,000 previously classified as property and equipment as at 30th September, 2019 is reclassified as right-of-use assets as of 1st October, 2019.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30th September, 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1st October, 2019:

	HK\$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 30th September, 2019	252,504
Less: short term leases for which lease terms end within 30th September, 2020	(20,488)
Less: operating lease commitments of new assets which terms have not commenced as at 1st October, 2019	(64,013)
Less: future interest expenses	(9,566)
Total lease liabilities as of 1st October, 2019	158,437

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1st October, 2019 is 4.355%.

(ii) The new definition of lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

(iii) **Accounting as a lessee**

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for low value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or a rate, a change in the lease term, a change in the assessment of an option to purchase the underlying asset or to reflect revised in-substance fixed lease payments.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated financial statements except for the aforementioned impact.

(v) Transition

The Group has recognised the lease liabilities at the date of 1st October, 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1st October, 2019.

The Group has elected to recognise all the right-of-use assets at 1st October, 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1st October, 2019) and accounted for those leases as short-term leases; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4; and (iii) adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

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

4. Use of Judgements and Estimates

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30th September, 2019, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

5. 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 – sales of skincare products
- (ii) Service segment – provision of treatment services in beauty salons, spas and medical beauty centres

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

	Product segment Six months ended 31st March,		Service segment Six months ended 31st March,		Elimination Six months ended 31st March,		Consolidation Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Sales to external customers	73,400	74,699	292,539	306,584	-	-	365,939	381,283
Inter-segment sales	13,276	12,329	-	-	(13,276)	(12,329)	-	-
Total	86,676	87,028	292,539	306,584	(13,276)	(12,329)	365,939	381,283
Segment results	16,974	20,200	87,615	87,709	-	-	104,589	107,909
Other income							5,562	4,714
Other gains or losses							(4,204)	(82)
Finance costs							(3,941)	(177)
Central administrative costs							(45,531)	(45,344)
Profit before taxation							56,475	67,020

Segment results represent the profit earned by each segment without allocation of other income, other gains or losses, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment.

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

Turnover recognised during the period is as follows:

Segments	Six months ended 31st March,					
	Product		Service		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition						
– At a point of time	73,400	74,699	–	–	73,400	74,699
– Over time	–	–	292,539	306,584	292,539	306,584
Total	73,400	74,699	292,539	306,584	365,939	381,283
Geographical markets						
Hong Kong and Macau					352,000	366,219
The PRC					13,939	15,064
Total					365,939	381,283

6. Other Expenses

	Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	518	724
Amortisation of intangible assets	56	58
Bank charges	16,676	19,673
Marketing expenses	4,235	8,018
Short-term lease expense	13,705	–
Low value lease expense	242	–
Operating lease rentals in respect of land and buildings:		
– minimum lease payments	–	50,139
– contingent rents	1,596	2,223
Building management fees, government rent and rates	10,072	10,304
Cleaning and laundry	2,910	3,002
Transportation, storage and delivery	2,846	2,724
Printing, stationery and administration	4,063	4,292
Utilities and telecommunications	1,845	1,819
Others	8,699	9,532
	67,463	112,508

7. Taxation

	Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Current tax		
– Current period	9,259	13,365
Deferred tax	3,376	(1,378)
	12,635	11,987

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward from prior years.

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

Accordingly, the Hong Kong profits tax of the qualifying group entity 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 Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2019: 25%) on the assessable profits.

Withholding tax has been imposed on dividends declared in respect of profits generated by companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from the Company's PRC subsidiaries accordingly.

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

8. Profit for the Period

	Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Profit for the period is stated at after charging:		
Amortisation of contract costs	34,090	34,540
Loss on fair value change of investment properties	3,440	30
Write-off of property and equipment	257	456
Depreciation:		
– Property and equipment	11,331	13,554
– Right-of-use assets	37,489	–
Net exchange loss	507	–
and after crediting:		
Net exchange gain	–	174
Gain on disposal of property and equipment	–	230
Interest income on bank deposits	2,272	2,856
Rental income from investment properties net of negligible direct operating expenses	1,574	1,693

9. Earnings Per Share

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

	Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	44,000	55,094

	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	680,552,764	680,113,753
Effect of dilutive potential ordinary shares – share options of the Company	–	389,389
Weighted average number of ordinary shares for the purpose of diluted earnings per share	680,552,764	680,503,142

10. Dividends

	Six months ended 31st March, 2020 HK\$'000	2019 HK\$'000
Interim dividend declared after the end of the reporting period of 6.0 HK cents (2019: 8.0 HK cents) per share	40,833	54,444

During the six months ended 31st March, 2020, a final dividend of 7.0 HK cents (2019: 5.5 HK cents) per share totalled approximately HK\$47,639,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2019 (2019: HK\$37,430,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2018).

At the Board meeting held on 22nd May, 2020, the directors declared an interim dividend of 6.0 HK cents (2019: 8.0 HK cents) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on Tuesday, 9th June, 2020. This interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

11. Investment Properties and Property and Equipment

During the six months ended 31st March, 2020, the Group incurred capital expenditure of approximately HK\$8,187,000 for property and equipment (six months ended 31st March, 2019: HK\$15,227,000).

The Group's investment properties were revalued based on a valuation as of 31st March, 2020 carried out by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent valuer not connected with the Group. The resulting decrease in fair value of investment properties of HK\$3,440,000 (six months ended 31st March, 2019: decrease in fair value of investment properties of HK\$30,000) has been recognised directly in profit or loss.

12. Trade Receivables

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

	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
0 to 30 days	31,478	29,803
31 to 60 days	28	–
61 to 90 days	14	–
121 to 150 days	1	–
Over 150 days	15	15
	31,536	29,818

13. Trade Payables

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

	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
0 to 30 days	2,722	7,322
61 to 90 days	3	-
	2,725	7,322

14. Secured Mortgage Loan

	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
Analysed for reporting purpose as:		
Current liabilities	3,299	3,525
Non-current liabilities	8,269	9,934
	11,568	13,459

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

	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
Within 1 year	3,299	3,525
1 year to less than 2 years	3,370	3,332
2 years to less than 3 years	3,443	3,409
3 years to less than 4 years	1,456	3,193
	11,568	13,459
Less: Amount due within one year shown under current liabilities	(3,299)	(3,525)
Amount shown under non-current liabilities	8,269	9,934

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK\$230,526,000 as at 31st March, 2020 (as at 30th September, 2019: HK\$233,966,000). It bears interest at 2.85% (as at 30th September, 2019: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.15% (as at 30th September, 2019: 2.275%) per annum.

15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st October, 2018, 31st March, 2019, 1st October, 2019 and 31st March, 2020	2,000,000,000	200,000
Issued and fully paid:		
At 1st October, 2018	679,452,764	67,945
Exercise of share options	1,100,000	110
At 31st March, 2019, 1st October, 2019 and 31st March, 2020	680,552,764	68,055

16. Share Options

On 24th February, 2012, the Company adopted a new share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the Share Option Scheme, the Board may, on or before 23rd February, 2022, at its discretion, offer to grant share options at an option price of HK\$1.00 to any executives and full-time employees, part-time employees with weekly working hours of 10 hours and above, executive or non-executive directors of the Company or any of its subsidiaries, any advisors (professional or otherwise), consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters and service providers to subscribe for shares of the Company, representing (when aggregated with share options granted under any other scheme) initially not more than 10% of the shares in issue as at 24th February, 2012 which is 76,395,276 shares, on which the Share Option Scheme was conditionally adopted pursuant to the resolution of the shareholders of the Company in general meeting held on that date. The subscription price shall be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of the grant of options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of share options; and (iii) the nominal value of the shares. The Board may in its absolute discretion determine the period, saved that such period shall not be more than 10 years commencing on the date of the grant of option, and the minimum period for which a share option must be held before it can be exercised. The maximum aggregate number of shares issued and to be issued on the exercise of share options and in respect of which share options may be granted under the Share Option Scheme must not exceed 30% of the total number of shares in issue from time to time.

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

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

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

As at the date of this report, there were a total of 56,395,276 share available for issue under the Share Option Scheme, which representing approximately 8.29% of the existing issued share capital of the Company. No share option under the Share Option Scheme was granted, exercised, cancelled or lapsed during the current interim period nor outstanding as at 31st March, 2020.

17. Commitments and Operating Lease Arrangements

(a) Capital commitments

	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	769	1,528

(b) Commitments and arrangements under operating leases

As at 31st March, 2020 and 30th September, 2019, the Group had total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties as follows:

As lessors Rental receipts	As at 31st March, 2020 HK\$'000	As at 30th September, 2019 HK\$'000
Not later than 1 year	3,811	2,880
More than 1 year but not later than 2 years	1,935	2,439
More than 2 years but not later than 3 years	339	–
	6,085	5,319

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

18. **Related Party Transactions**
Compensation of key management personnel

	Six months ended 31st March,	
	2020 HK\$'000	2019 HK\$'000
Basic salaries	3,851	4,108
Bonuses	9,586	8,990
Retirement benefit costs	18	18
	13,455	13,116

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

19. **Fair Value Measurements of Financial Instruments**

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

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

20. **Event after the Reporting Period**

Since the outbreak of COVID-19 infection in early 2020, the Group has paid close attention to the development of COVID-19 infection and evaluated its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial and operating performance may be affected, the extent to which cannot be estimated as at the date of this interim report.

In light of the mandatory closure policy being effective from 10th April, 2020 to 7th May, 2020 launched by the government, the Group has experienced impact on treatment services provision. This policy in response to the COVID-19 pandemic is a non-adjusting event after the reporting period ended 31st March, 2020 and does not result in any adjustments to the condensed consolidated financial statements for the period ended 31st March, 2020. The Group will pay continuous attention on the situation of the mandatory closure policy, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Save as disclosed above, there is no significant subsequent events after the period end date of 31st March, 2020.

Interim Dividend and Closure of Register of Members

The Board has declared an interim dividend of 6.0 HK cents per share for the six months ended 31st March, 2020 payable to the shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on Tuesday, 9th June, 2020. The Register of Members of the Company will be closed on Monday, 8th June, 2020 and Tuesday, 9th June, 2020, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5th June, 2020. The relevant dividend warrants will be dispatched to shareholders of the Company on Wednesday, 24th June, 2020.

Audit Committee

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

It is responsible for the appointment of the external auditor, review of the Group's financial information and overseeing the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. The Board has delegated its responsibilities to the Audit Committee to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to the directors and employees; to review and monitor the training and continuous professional development of directors and senior management and to review the Company's compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") and disclosures in the corporate governance report.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31st March, 2020 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the condensed consolidated financial statements of the Group for the six months ended 31st March, 2020. It has also reviewed this report.

Remuneration Committee

The Company established a Remuneration Committee on 26th June, 2006. The Remuneration Committee comprises all independent non-executive directors of the Company and is chaired by Mr. Wong Chun Nam, Duffy.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. It also makes recommendations to the Board on the remuneration of non-executive directors.

Investment Advisory Committee

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

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

Nomination Committee

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

It is responsible for making recommendations to the Board on nominations, appointment or re-appointment of directors and Board succession. The principal duties of the Nomination Committee include reviewing the structure, size, diversity and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive directors.

Disclosure Committee

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

The objectives of the Disclosure Committee are to consider and make recommendations to the Board in relation to the Company's disclosure policy and guidelines regarding the Inside Information of the Company and to make recommendations to the Board on the disclosure of Inside Information in compliance with the established disclosure policy and guidelines adopted by the Board, the applicable laws and regulations, including but not limited to the Listing Rules and the SFO; and to consider other topics, as defined by the Board.

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

As at 31st March, 2020, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company and its associated corporations

Name of directors and chief executive	Name of companies in which interests are held	Capacity in which interests are held	Number and class of shares			Total	Approximate percentage of issued share capital
			Personal interests	Family interests	Corporate interests		
Yu Kam Shui, Erastus	The Company	Beneficial owner	8,000,000 ordinary	–	–	8,000,000 ordinary	1.18%
Yu Lai Chu, Eileen	The Company	Beneficial owner and interest of controlled corporations	9,564,000 ordinary ⁽¹⁾	–	155,333,760 ordinary ⁽¹⁾	164,897,760 ordinary	24.23%
	Water Oasis Company Limited	Beneficial owner	165,000 non-voting deferred	–	–	165,000 non-voting deferred	–
Lai Yin Ping	The Company	Interest of spouse	–	8,000,000 ordinary ⁽²⁾	–	8,000,000 ordinary	1.18%
Wong Chun Nam, Duffy	The Company	Beneficial owner	600,000 ordinary	–	–	600,000 ordinary	0.09%
Tam Siu Kei	The Company	Beneficial owner and interest of spouse	3,696,000 ordinary	2,294,000 ordinary ⁽³⁾	–	5,990,000 ordinary	0.88%

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

As at 31st March, 2020, save as disclosed above, none of the directors, chief executive or any of their close associates had any interests and short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

Particulars of the share option scheme are set out in note 16 to the condensed consolidated financial statements.

On 24th February, 2012, the Company adopted a new share option scheme, which replaced the old share option scheme that was expired on 22nd January, 2012.

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

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

As at 31st March, 2020, the following persons and corporations, other than a director or the chief executive of the Company as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or, who/which was, directly or indirectly, with 5% interest or more of the issued share capital of the Company:

Long position in the shares

Name of substantial shareholders	Capacity/ Nature of interest	Number of issued ordinary shares	Approximate percentage of issued share capital
Yu Lai Si ⁽¹⁾	Beneficial owner/ Personal interest	166,113,760	24.41%
Zinna Group Limited ⁽²⁾	Registered owner/ Personal interest	155,333,760	22.82%
Advance Favour Holdings Limited ⁽³⁾	Registered owner/ Personal interest	64,506,880	9.48%
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	142,173,760	20.89%

Notes:

- (1) Ms. Yu Lai Si is the sister of Mr. Yu Kam Shui, Erastus and Ms. Yu Lai Chu, Eileen, both being the executive directors of the Company.
- (2) Zinna Group Limited is a company incorporated in Hong Kong. All of its voting rights are held by Royalion Worldwide Limited, a British Virgin Islands company which is 80% owned by Ms. Yu Lai Chu, Eileen and 20% owned by her son, Mr. Tam Yue Hung.
- (3) Advance Favour Holdings Limited is a British Virgin Islands company beneficially owned by Ms. Lai Yin Ling, the sister of Ms. Lai Yin Ping, an executive director of the Company.
- (4) Billion Well Holdings Limited is a British Virgin Islands company beneficially owned by Ms. Lai Yin Ling, the sister of Ms. Lai Yin Ping, an executive director of the Company.

Save as disclosed above and so far as the directors and the chief executive of the Company were aware of, as at 31st March, 2020, no other person or corporation (other than a director and the chief executive of the Company) had any interests and short positions in the shares and underlying shares of the Company which would, pursuant to section 336 of the SFO, were required to be entered in the register referred to therein.

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

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

Corporate Governance

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

Compliance with the Model Code for Securities Transactions

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

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

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

Hong Kong, 22nd May, 2020

Corporate Information

Directors

Executive Directors

Yu Kam Shui, Erastus
Tam Siu Kei (*Chief Executive Officer*)
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

BDO Limited

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

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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