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

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2020 ANNUAL REPORT
年報

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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, 2020, the Group had 14 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 to deliver advanced hair growth and scalp treatment options for men and women. As at 30th September, 2020, the Group had expanded the number of Oasis Hair Spas in Hong Kong to 4, each operating independently within Oasis Beauty centres. Other related services operating under the Oasis brand are Oasis Mom, offering treatments tailored to new mothers and mothers-to-be, 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 18 outlets in Hong Kong, and 1 outlet in Macau. These include a range of spas providing high-end beauty services within a resort-style ambience, along with outlets retailing the Swiss-made product range. Glycel is also making a name for itself with its high-end beauty devices, which include the 42°C Mobile Skin Therapist, Body Therapist, V-Ultrasonic Clarifying Peel, One-touch Intelligent Eye Therapist and G-PowerLift+ 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 its Oasis Medical Centre business. 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 home-based skincare solutions that effectively complement the professional salon treatments supplied by the Group.

Water Juicery

The Group's Water Juicery brand has been operating since early 2019, 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, plus an Erno Laszlo counter in Macau's major New Yaohan department store.

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

CEO's Statement

The past year has been an extremely challenging one for all businesses, not just in Hong Kong but right around the world. In Hong Kong, the social events were followed almost immediately by the onset of the COVID-19 pandemic, making for a year of unremitting pressure on the normal operations of Water Oasis. Our retail operations were affected throughout the year, and for two periods in the financial year, the Group's beauty centres were closed by government order as part of its efforts to halt the spread of the virus. These events inevitably had a significant impact on the Group's full-year performance.

However, one positive effect of the events of the year was that it clearly differentiated businesses that are responsive, adaptable and well-prepared from those that are not. Although Water Oasis was not exempt from the negative events of the past year, I am pleased that our traditions of adaptability and anticipation enabled us to continue operating efficiently and profitably, particularly by comparison with many of our peers. Among other initiatives taken in response to the year's events, we moved rapidly to control costs in a number of different areas, and the savings we achieved in major expenses such as advertising and rents helped to some extent to offset the drop in revenue caused by COVID-19. We were also able to benefit from various temporary subsidy schemes provided by the government.

The pandemic generated a significant shift towards online shopping among consumers, including those purchasing beauty and skincare products. While this trend impacted the Group's traditional retail store sales, it brought significant benefits for the Group's well-developed online platforms. In recent times we have poured considerable resources into developing our social media platforms and promoting and extending our online retail platforms, and this was rewarded by a very significant rise in online sales over the year. These platforms are increasingly lively, useful and attractive sites where customers can interact with KOLs and celebrity figures, read and share product reviews, watch videos and other promotional materials, browse special offers, and order products easily and securely. As the Group's database of customers grows, its websites are also proving an increasingly effective means of recruiting new customers and expanding its contact lists for promotions. This is an area that we will be continuing to focus on in the year ahead, riding on the rapidly growing popularity of our online platforms.

We do remain highly committed to our bricks-and-mortar locations however, which are of course essential for the provision of beauty services. Throughout the pandemic, including during the periods of mandatory closure, we continued to evaluate our existing physical store locations and seek out new ones with strong potential. Indeed, in a period when many peers were focused on merely sitting out the retail downturn, we were actively opening new stores in preparation for the return to a more normal shopping environment. In the periods when our beauty services outlets had to close, we took the opportunity to engage in deep cleaning and made other improvements so they were ready to open again at any point.

The flexibility that I have been describing went hand in hand with ongoing customer engagement and trust-building, particularly at a time when many consumers were fearful of their personal health in public places. A focus of the pandemic period was and continues to be to reassure our customers fully of the steps being taken to protect their health through advanced hygiene practices and technology. For example, special equipment for whole-body sterilisation was used at some centres, reassuring customers that their treatments were taking place in a spotlessly clean and hygienic environment from the moment of arrival. This kind of reassurance generated much confidence and goodwill.

The pandemic brought many challenges to us throughout the year, and it has continued to do so since the end of the reporting year, with further government-mandated closures of our beauty centres over Christmas and Chinese New Year, both traditional peak seasons for our beauty services. Nevertheless, it has also offered the chance to demonstrate and consolidate some of our core strengths, and to rethink some aspects of our future development. As a result, we are more ready than ever to identify new opportunities being opened up by the pandemic, and to move quickly to take advantage of them.

In summary, in the face of severe pressure across the year we have been able to quickly adjust our operations, expand our e-commerce activities and online presence, and reassure customers in our physical outlets, while all along planning for new locations and new products and services when the pandemic eases. Given the severity of the pandemic's impact on all levels of society globally, I believe the Group's performance over the year offers room for encouragement, despite the downturn. Our responses have put us in a strong position to ride out any further implications of the pandemic, and made us ready to take prompt advantage of a return to a "new normal" in the near future.

Alan Tam
Executive Director and Chief Executive Officer

Management Discussion and Analysis

The year ended 30th September, 2020 in Hong Kong was an unprecedented extremely challenging year. The social unrest events happened on the first half as well as the COVID-19 pandemic having sweeping effects on economies, employment and trade across the globe on the second half of the financial year, had impacted significantly on our Group's results. While Hong Kong was relatively more fortunate than many other places, the government's measures to halt the spread did have a direct impact on the Group's operations. Specifically, on two occasions during the financial year the Group was required to shut down its beauty centres for extended periods, with an inevitable loss of revenue. Overall, the extraordinary events of the year saw the Group's consolidated revenue fall by 30.4% compared with revenue for the year ended 30th September, 2019.

The temporary closures of the Group's beauty centres at different times during the financial year had impacted on the beauty service revenue which led to an adjustment in the product versus service business mix for the year, and a corresponding change in the gross profit margin. Reduced beauty services revenue had resulted in a higher sales mix on beauty and skincare products segment, representing a sales mix moving from an 18.2% to 81.8% product/services split for 2019 to a 22.2% to 77.8% split for 2020. At the same time, the Group introduced a number of attractive promotional offers trying to maintain its momentum in the height of the pandemic. Since beauty services typically have a higher margin than product sales, the gross profit margin also adjusted downwards with a higher mix of product, from 92.6% to 90.5%. Profit for the year was HK$27.5 million, against HK$107.4 million for 2019.

In response to the pandemic, the Group took immediate steps to reduce costs appropriately. In particular, it managed to slash advertising costs by 59.2% compared to the previous year, reducing these as a percentage of revenue by almost half, from 2.9% to just 1.7%. Staff costs were also reduced by 27.9%, or 44.1% as a percentage of revenue. These lower staff costs mainly reflected a reduction in the number of staff and operating days of the Group during the pandemic as well as lower commissions arising from reduced sales.

Elsewhere, depreciation costs on property and equipment were down by 20.4%, reflecting lower CAPEX as a result of brakes being put on the purchase of new equipment and on store renovations. Rental costs as a percentage of revenue by 22.5%, primarily due to the adoption of accounting standard HKFRS16 in this financial year which changed the way the Group is required to record rental costs in its accounts.

As social distancing restrictions were in place throughout much of the year, shoppers increasingly turned to online platforms to purchase beauty products. With various well-established and user-friendly websites available, the Group benefitted from this trend. Internet-based online sales rose by 76% year on year, helping offset only part of the drop in traditional shopping footfall caused by the pandemic. However, this improvement could not make up the shortfall in sales on beauty service segment.

During the financial year, the Group had applied various government subsidy schemes due to COVID-19 which help offsetting partially the impact of COVID-19 on our beauty service businesses. These include Retail Sector Subsidy Scheme; the Subsidy Scheme for Beauty Parlours, Massage Establishments and Party Rooms as well as the Employment Support Scheme.

The Group made a number of adjustments to its store positioning throughout the year ensure it maintained an optimal presence in high-performing locations. A total of seven underperforming stores were closed down or reconfigured in the year, but this was offset by the opening of seven new stores in high-traffic and prestigious locations. They included a new Oasis Beauty flagship store in the upmarket Langham Place shopping mall in Mongkok, a new Glycel outlet at KOLOUR in Tsuen Wan, and another Glycel outlet in Park Central in Tseung Kwan O were opened during this financial year.

The Group's bank balances and cash reserves as at 30th September, 2020 amounted to approximately HK$418.5 million. Its current ratio was 0.7:1 and its debt-equity ratio was 4.4%. The board of directors do not recommend the payment of a final dividend, bringing the full-year dividend to only 6.0 HK cents per share (2019: 15.0 HK cents).

Business Review
Beauty Services
OASIS Portfolio

The Group's Oasis portfolio incorporates several synergistic beauty services under the Oasis brand profile. These include the core services businesses Oasis Beauty and Oasis Spa, the professional medical beauty specialist Oasis Medical Centre, and the recently launched Oasis Hair Spa, Oasis Homme and Oasis Florist round out the portfolio.

All the Group's Oasis beauty services businesses in Hong Kong and PRC experienced a double-digit percentage year-on-year downturn in revenue in 2020, largely as a result of the government's anti-pandemic measures which led to extended periods of closure for beauty services outlets and resulted in reduced customer visiting our beauty centres for treatments. Exceptions were seen on the Group's self-owned Oasis Beauty centres in PRC (three in Beijing) and the Oasis Beauty Store in Macau. Both experienced a slight increase in sales in this financial year even with the impact of COVID-19, possibly due to the effective control of COVID-19 spreading within the community in PRC and Macau.

Oasis treatments introduced during the year included new treatments designed to cleanse and firm the delicate eye area. The Group's latest Oasis brand, Oasis Mom, has begun delivering different types of slimming, reshaping and abdominal binding treatments for new mothers looking to regain their pre-pregnancy shape. The brand also offers post-pregnancy bust firming and shaping massages, and other treatments to address common issues that affect women after giving birth.

At year-end, the Group was operating 16 Oasis Beauty centres in Hong Kong (comprising 14 Oasis Beauty and 2 Oasis Homme centres), one down from the same time the previous year, along with one Oasis Beauty Store in Macau and three self-owned centres in the PRC.

Oasis Medical Centre

After recording modest revenue growth in the first half of the year, the Group's Oasis Medical Centres felt the effects of the periods of mandatory closures in the second half to finish with an overall double-digit percentage drop in revenue year on year.

Though its equipment purchases slowed in response to the pandemic, the Group continued to introduce new state-of-the-art equipment to expand the medical treatments offered. Ultra 360 equipment and advanced Plasonic whitening equipment, introduced in 2019, were followed up in 2020 with the arrival of new Salus Talent therapeutic equipment delivering deep-penetrating electro-magnetic stimulation.

Oasis Hair Spa

The new Oasis Hair Spa, launched in 2019, got off to a solid start despite periods of mandatory closure. The Group's confidence in this new business can be seen in its expansion of the number of Oasis Hair Spas since September 2019, when just one was operating. By year end, there were four Oasis Hair Spas in operation in Hong Kong, all situated within existing Oasis Beauty centres. To promote the new business, the Group focused on social media platforms and word-of-mouth promotion. Major KOLs were invited to visit the Hair Spa and report on their experience, which generated much interest among their followers, and the Group also utilised other online platforms to get the word out about this significant new option for hair and scalp care.

Glycel

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales. Overall results were down by double-digit percentage in sales for the year due to the compulsory hiatus in beauty service treatments, which mostly happened in the second half of this financial year, but the brand's product range continued to be popular and attract strong online and in-store sales, benefitting from the positive image of the Glycel celebrity figurehead Christine Kuo.

The Glycel brand has been steadily expanding in recent years, and the Group continued to seek for a wider regional presence in the year. In the KOLOUR mall in Tsuen Wan, the Group rearranged its brand offerings by reducing the floor space devoted to Oasis Beauty from two floors to one and setting up the other floor as a new Glycel outlet. This move has extended the popular Glycel services and products to a major shopping mall in the west of New Territories.

Despite the challenges of the year, new Glycel products and beauty treatments were regularly rolled out. The first half of the year saw the launch of Essence-in-Oil Rejuvenating Face Treatment and Rollix All-in-one Skin-tightening Extra Treatment, while this September, Glycel addressed a common area of concern in women's beauty, the eye area, with the introduction of two new eye treatments, GENIeye Lifting & Firming Upper Eye Extra Treatment and GENIeye Revitalizing & Circulating Under Eye Extra Treatment. Glycel beauty products launched in the year included a limited edition Swiss Essentials Essence Lotion in January, and an Aqua-Moist Face Cleanser at the end of June. A highlight of the year was the launch in June of the new G-PowerLift+ device, a skin rejuvenation beauty device that combines RF (Radio Frequency), Galvanic Ion and LED (Light Emitting Diode) technologies.

As at 30 September, 2020, the Group was operating 18 Glycel outlets in Hong Kong, one up on the number a year earlier.

Product Sales

Erno Laszlo

Adjustments were made to the Group's Erno Laszlo outlets during the year. While the number of outlets were five at year-end, two of these were newly opened during the year in new locations. Product sales dipped in a difficult year under this negative macro environment, but were boosted by some attractive new products, such as a new Firming Cream launched in August.

Eurobeauté and DermaSynergy

The Group's Eurobeauté brand includes a range of products used in and sold to customers at the Group's spas and beauty centres, so the closures of the year inevitably had a direct impact on sales of this brand. The launch of a new Eurobeauté Time-Reverse Skin Renewal Mask was a welcome highlight. Similarly, DermaSynergy is a self-owned brand that offers various skincare and related beauty products for consumers that is mostly sold at Oasis Medical Centres, and sales were also negatively affected by closures.

H2O+

This longstanding US skincare brand is now represented by two outlets in Hong Kong, down from three a year earlier. Its customer base welcomed the new H2O+ Detox Collection in September. Like all the other Group brands, H2O+ experienced a significant drop in revenue in this financial year.

Prospects

Since the end of the financial year, despite the fact that the fourth waves of COVID-19 had again led to the closure of beauty centres due to government orders during Christmas and New Year (a traditional peak season on beauty services business), the beauty centres had restored its normal operations after the Chinese New Year. The Group has experienced steady patronage and solid demand for its services, on a par with its performance the previous year. This bodes well for the future, especially once the pandemic is fully stabilised. In the meantime, ongoing travel bans and other travel restrictions have meant that many customers have funds that were previously reserved for travel that they are now looking to spend closer to home. This is directly benefitting the Group, especially in terms of patronage of its spa and beauty services offerings.

Despite the longer term impact of COVID-19 on the economy and business performance still remains uncertain, the Group is confident that with the pandemic situation in Hong Kong is being under control due to launch of the new vaccine for COVID-19, the business will gradually get back to the 'new normal' of the post-COVID world. Since the bulk of the Group's customers are local, the ongoing travel restrictions should not have any significant impact on the Group's business going forward. In the meantime, the Group will do its utmost to create a safe, hygienic environment to our customers at our retail outlets and beauty centres to ensure that they can be relaxed and confident in enjoying our services provided to them.

With this understanding of the situation, the Group has been focusing on remaining agile, ready to move quickly as circumstances change in order to take advantage of early market shifts. Throughout the year the Group has continued to identify locations for new brand outlets even in the height of the pandemic, and it has further plans to open new outlets and hire new staff in the year ahead. For example, a new Glycel outlet has been opened in the LOHAS in November 2020, and other locations are currently under negotiation. This readiness to move reflects the Group's confidence in its customers and in the quality of its own offerings.

At the same time, the Group will continue to adapt its operations to the 'new normal' of the post-COVID-19 world. Cost controls will be an ongoing focus, especially in terms of negotiating sharp deals for store leases, ensuring advertising is as targeted and cost-effective as possible, and increasing take-up of online platforms and systems for sales and promotion.

In line with its long tradition of innovation and careful diversification, the Group will look to roll out various new products and services in the year ahead, introduce new advanced beauty and medical beauty equipment, and expand its client base through new initiatives. An example is the recent roll-out of the new Oasis Mom treatment regime, which is expanding the reach of Oasis to new mothers and increasing the size of the Oasis database.

In short, with its solid customer base, strong reputation for quality and care, high quality products and services, and flexible and proactive management, the Group believes it is well prepared to face the conditions of the coming year with confidence.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 70, 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 43, 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. Mr. Tam 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. YU Lai Chu, Eileen, aged 68, 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, a former executive director of the Company. 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. 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 65, 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 72, 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 Real Nutriceutical Group Limited and National Arts Entertainment and Culture Group Limited 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 67, 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. Mr. Wong is currently an independent non-executive director of Ri Ying Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited.

Dr. WONG Chi Keung, aged 65, 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 54, has joined the Group as Chief Financial Officer since March 2007. Mr. Au has over 30 years of financial management, accounting, auditing, business planning and development experiences, working in various blue-chip listed companies and an international accounting firm. He obtains a Master of Law Degree with merit in King's College London, UK; a Master Degree of 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 as well as a Fellow member of The Association of Chartered Certified.

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, 2020.

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, 2020.

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, 2020 and up to the date of this annual report, the Board comprises four executive directors and three independent non-executive directors from different business and professional fields. The profile of each director is set out in the "Directors and Senior Management" section in this annual report. The directors, including the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Company has received an annual written confirmation from each of the independent non-executive directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

The independent non-executive directors are appointed for specific terms and their terms of office shall expire at the third annual general meeting of the Company (the "AGM") after the last appointment and may be renewed subject to the shareholders' approval at such AGM. Under the articles of association of the Company (the "Articles of Association"), at each AGM one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall be subject to retirement by rotation. Retiring directors are eligible for re-election at the AGM at which they retire. Also, under the code provisions of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the forthcoming AGM, Mr. Yu Kam Shui, Erastus and Ms. Yu Lai Chu, Eileen 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. Save as disclosed, 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 4 times during the year ended 30th September, 2020.

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, 2020 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	4/4	–	–	1/1	–	–	1/1
TAM Siu Kei	4/4	–	–	–	–	–	1/1
YU Lai Chu, Eileen	4/4	–	–	–	–	–	1/1
LAI Yin Ping	4/4	–	–	–	–	–	1/1
Independent non-executive directors							
WONG Lung Tak, Patrick	4/4	2/2	1/1	1/1	1/1	–	1/1
WONG Chun Nam, Duffy	4/4	2/2	1/1	1/1	1/1	–	1/1
WONG Chi Keung	4/4	2/2	1/1	1/1	1/1	–	1/1

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

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

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

During the year ended 30th September, 2020, 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 Siu Kei	✓	✓
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, 2020, 2 meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2019 with external auditor and also the activities of the Group's risk management and internal control functions, the interim results of 2020, as well as the change of auditors.

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, 2020, 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, 2020 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 15 to the consolidated financial statements as set out on pages 93 to 94 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, 2020, 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, 2020, 1 Nomination Committee meeting was held among others (i) to review the structure, size and composition of the Board; (ii) to assess the independence of the independent non-executive directors; and (iii) to review and make a recommendation to the Board on the 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, 2020, 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

BDO Limited has been appointed as the independent auditor of the Company by the Board on 11th March, 2020.

The remuneration paid or payable to the Group's independent auditor, BDO Limited, and its affiliated firms, for services rendered for the year ended 30th September, 2020 is broken down below:

	2020 HK$'000
Statutory audit	**1,360**
Non-audit services	**317**
Total	**1,677**

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, 2020 are set out in the section "Independent Auditor's Report" on pages 48 to 54 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, 2020. 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, 2020.

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, 2020, 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, 2020.

Environmental, Social and Governance Report

Environmental, Social and Governance Commitment

The Board of the Group understands its responsibility and is committed to protect and enhance long-term shareholder value, lead and steward the Group with the aim to achieve long-term returns and generate a positive impact on the society and the environment. By assessing and evaluating Environmental, Social and Governance (the "ESG") related risks and reporting performance, the Group sets the overall strategic goals, supervises management effectiveness, and ensures operational reliance and compliance with the relevant legal and regulatory requirements. Both qualitative information and quantitative data have been collected for this ESG report (the "Report") to demonstrate the Group's commitment to sustainability and performance.

Reporting Scope

The Report provides an overview of the Group's sustainability performance by summarising the policies, management approach and performance of the Group's core and material business in beauty services and beauty products retailing in respect of corporate social responsibility. The Group is headquartered in Hong Kong and has business operations in Hong Kong, Macau and Beijing, People's Republic of China (the "PRC"). The Report is prepared in accordance with the reporting principles of 'Materiality', 'Quantitative', 'Balance' and 'Consistency'. With the aim to optimise the reporting process and expand disclosures in the Report, the Group has been dedicated in gathering the relevant data, formulating, implementing and monitoring policies.

Reporting Period

The Report illustrates and highlights the environmental and social performance of the Group for the reporting period from 1st October, 2019 to 30th September, 2020 (the "Reporting Period") in Hong Kong.

Reporting Framework

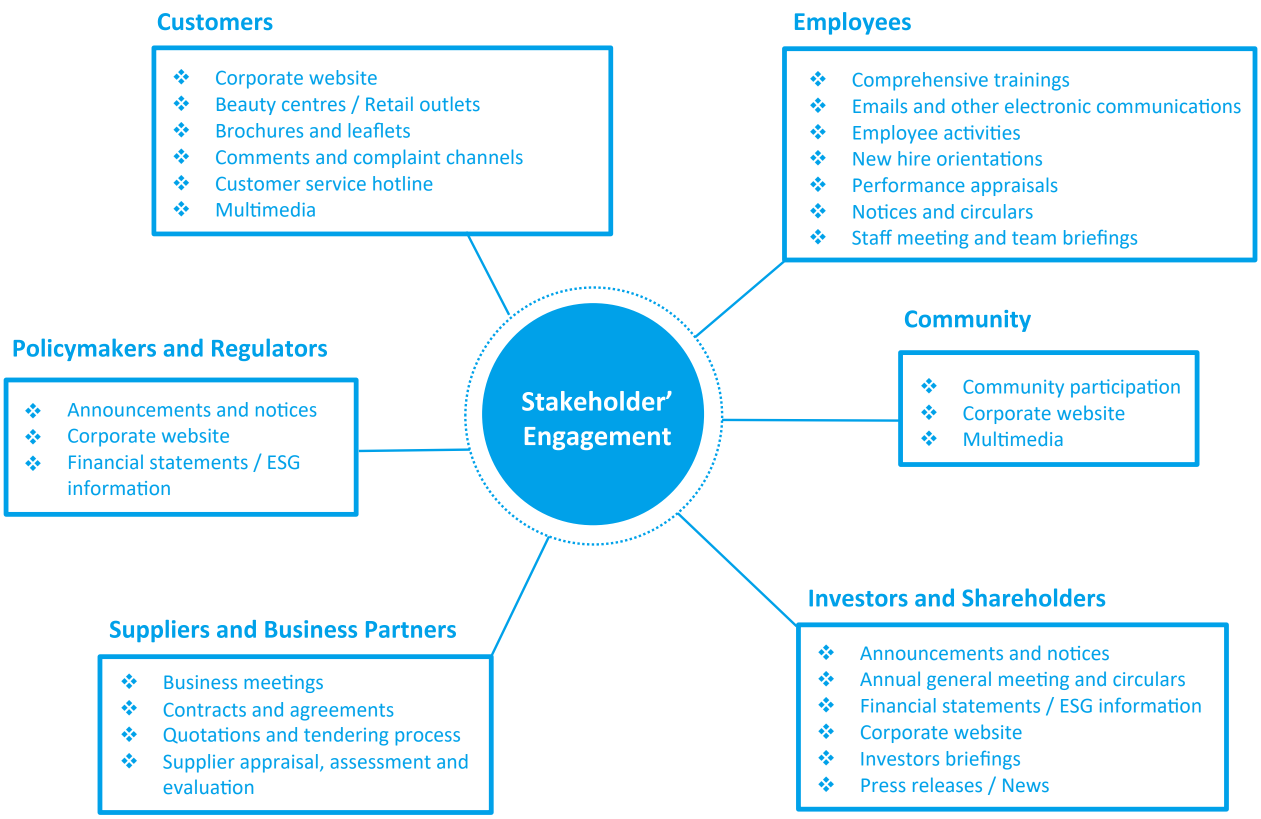
The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 27 to the Listing Rules. The Report complies with the "comply or explain" provisions of the ESG Guide.

Key Performance Indexes (the "KPIs") Reference Table

Reference KPIs of the ESG Guide	Corresponding KPIs in the section of the Report
A. Environmental	
A1: Emissions	• Emissions Policy and Compliance • Carbon Footprint – Greenhouse Gas Emissions • Air Emission • Hazardous and Non-hazardous Waste Disposal
A2: Use of Resources	• Conservation of Resources
A3: The Environment and Natural Resources	• Emissions Policy and Compliance • Conservation of Resources • The Environment and Natural Resources
B. Social	
Employment and Labour Practices	
B1: Employment	• Employment Policy and Compliance
B2: Health and Safety	• Occupational Health and Safety Policy and Compliance
B3: Development and Training	• Human Capital Development and Training Policy
B4: Labour Standards	• Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	• Supply Chain Management • Manufacturers and Suppliers' Engagement
B6: Product Responsibility	• Product Responsibility and Quality Assurance Process • Data Protection and Privacy Policy • Protecting Intellectual Property Rights
B7: Anti-corruption	• Anti-corruption Policy • Conflict of Interest Policy • Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	• Community Care and Charitable Donations • The Sustainable Future

Stakeholder' Engagement

The Group maintains ongoing engagement and communications with key stakeholders as their expectation and concern toward the Group are not only essential to its business development, but also help to identify the risks and opportunities regarding sustainable development. To foster collaborative relationship with its stakeholders including policymakers, regulators, employees, investors, customers and suppliers, the Group conducted various activities throughout the Reporting Period to exchange thoughts and ideas, discuss and review ESG goals with stakeholders aiming to structure business strategies that are valuable to its future growth and challenges. The following stakeholder engagement activities were conducted during the Reporting Period.



Materiality Analysis

Through the stakeholder engagement exercise, management reviews and industry analysis, the Group identified the most material ESG issues and prioritised its resources in managing these issues. This assessment helps to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements. The Group concluded that the issues that are considered most material are indicated in the following table:

Materiality Ranking	ESG Issues
1	Legal compliance
2	Product quality and safety
3	Anti-corruption
4	Innovation
5	Market influence

Stakeholders' Feedback

The Group welcomes stakeholders' comments and feedbacks regarding its performance and approach on ESG aspects as they are valuable to its continuous improvement and sustainable development. Please send your questions, suggestions, and recommendations to the Group:

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's core business is basically to provide a wide range of beauty and wellness services and products to men and women. 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 complies with all material aspects of applicable environmental protection laws and regulations in its operating locations and does not involve in air (dust and residues), water, and noise pollution.

Emissions Policy and Compliance

In the process of service provision, energy and resources were used and waste was generated. 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. While the activities of the Group's businesses are mainly conducted indoor, minimal environmental impact is caused. Policies to promote efficient use of energy and natural resources to lower emission and cost are in practice. During the provision of beauty services, electrical appliances are being used, the related hazardous waste and non-hazardous waste being generated during operation was collected, recycled and properly disposed of. The efforts being made could be reflected with the gradual reduction of both energy use and carbon footprint despite positive business growth in recent years.

Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("GHG") expressed in terms of the equivalent amount of carbon dioxide ("CO_2-e") emissions. During the Reporting Period, the total operation area comprising the Group's headquarters, beauty and medical beauty centres, and retail outlets was 9,373.99 square metres ("m^2") (2019: 9,237.70 m^2) and was accounted for 100% of its GHG emissions.

The following table highlights the carbon footprint of the Group:

Scope	Sources of GHG emissions	2020	2019	2018
		GHG* emissions (in tCO_2-e)		
1	Mobile – Gasoline	56.47	56.51	52.54
2	Purchased electricity	958.27	1,032.64	1,238.52
	Disposal of paper waste	32.98	54.20	183.26
3	Fresh water processing	0.10	0.40	0.31
	Sewage water processing	0.05	0.16	0.13
	Total GHG* emissions	**1,047.73**	**1,143.91**	**1,474.76**
	GHG* removals (paper recycled)	7.58	10.10	12.71
	Total GHG* emissions after removal	1,040.15	1,133.81	1,462.05
	Carbon Emission intensity per m^2	**0.111**	**0.123**	**0.177**

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

The total net GHG emissions generated by the Group was 1,040.15 tonnes of carbon dioxide equivalent ("tCO_2-e") (mainly carbon dioxide, methane and nitrous oxide) during the Reporting Period (2019: 1,133.81 tCO_2-e). The carbon emission intensity was 0.111 tCO_2-e/m2 (2019: 0.123 tCO_2-e/m2), a year-over-year reduction of 9.80%.

The Group has made great efforts in controlling its emissions and consumption of resources. Its energy conservation practices include deploying energy saving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport, and using tele or video conferencing as an alternative to business travel. Furthermore, to strengthen employee awareness on energy efficiency, energy saving slogans have been posted near the power control switches to encourage energy saving practices.

Air emission

Air emission was generated from the use of gasoline and diesel-powered motor vehicles for employees commuting and transportation. The combustion of gasoline and diesel fuel in vehicle engines produces emissions of air pollutants into the environment. The following table highlights the estimated air emission of the Group:

Types of Pollutants	2020	2019
	Emission Data (kilogram) ("kg")	
Nitrogen Oxides (NO_x)	7.90	7.72
Sulphur Dioxide (SO_2)	0.31	0.24
Particulate Matter	0.58	0.57

Scented products include aromatherapy and spa supplies, essential oils and fragrance use in the beauty centres would cause the emission of volatile organic compound ("VOC"), the elevated concentration of the VOC that emitted 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 and medical beauty centres.

Hazardous Waste and Non-hazardous Waste Disposal

Clinical waste generated from medical beauty services is classified as hazardous waste under Section 35 of the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and must be properly treated and disposed of. The clinical waste includes used syringes, needles, cartridges, ampoules, sharp instruments, and swabs and surgical dressing. During the Reporting Period, 0.16 tonnes ("t") (2019: 0.21 t) of clinical waste was generated and being properly segregated and disposed of in designated collection containers. The waste was properly labelled and collected by licensed contractor for thermal incineration.

Paper and its related marketing materials were one of the non-hazardous waste generated by the Group. A total of 6.84 t of paper related printed matters (2019: 11.29 t) was used by administration, marketing, and report publication purposes. The decrease in paper consumption during the Reporting Period was attributed to the effort of employees in paper reuse and recycling as well as the use of digital technology.

Conservation of Resources

Sustainable use of resources is vital for the future. The Group encourages efficient use of resources by proactively raising the environmental awareness of employees. During the Reporting Period, the primary resources consumed by the Group were electricity, gasoline, water, and paper. Packaging materials were used for the beauty products. The following table illustrates the consumption of different resources by the Group and their intensity.

		2020			2019		
Scope	Sources of GHG emissions	Consumption	GHG* emissions (in tCO_2-e)	Intensity	Consumption	GHG* emissions (in tCO_2-e)	Intensity
1	Mobile – gasoline	20,854.85 L	56.47	0.078 tCO_2-e/ employee	22,385.79 L	56.51	0.075 tCO_2-e/ employee
2	Purchased electricity	1,550,238.00 kWh	958.27	165.38 kWh/m^2	1,633,385.00 kWh	1,032.64	176.82 kWh/m^2
3	Disposal of paper waste	6.84 t	32.83	0.045 tCO_2-e/ employee	11.29 t	54.20	0.072 tCO_2-e/ employee
	Water processing	245.00m^3	0.15	0.0002 tCO_2-e/ employee	941.00 m^3	0.56	0.0007 tCO_2-e/ employee

Fossil Fuel Consumption – Gasoline

The air emission of motor vehicles may affect the people and neighbouring communities through its environmental impact. The total gasoline consumption constituted to 5.4% of the Group's total carbon footprint. Regular maintenance on vehicles was conducted to ensure optimal performance and enhance fuel efficiency.

Energy Consumption – Electricity

The total electricity consumption constituted to 91.5% of the Group's total carbon footprint. The Group's energy saving practices also include the use of window blinds in the office for heat insulation during summer season.

Water Consumption

The Group did not encounter any issue in sourcing water that was fit for purpose during the Reporting Period. The water consumption was not available in the headquarters and some beauty centres because it was included in the property management fee. Besides, the amount of water used in the office and retail outlets was insignificant. The Group continues to use solenoid values in all spa centres with the aim to prevent unintentional switching mistake that could cause water wastage to conserve this precious natural resource on earth.

Paper and Printed Matters Consumption

Reducing the consumption of paper and printed matters has been one of the environmental objectives of the Group. Approximately 1.58 t of wastepaper (2019: 2.10 t) was recycled which helped to remove 7.58 tCO_2-e (2019: 10.10 tCO_2-e) during the Reporting Period.

Total Packaging Materials Used for Finished Products

Various packaging materials were used for the packaging of finished beauty products. Packaging materials ranging from plastic bottles, plastic jars, cardboards, plastic pouches, foam material and carton boxes were used for product protection and transportation. It was recorded that 33.33 t (2019: 40.49 t) of packaging materials were consumed during the Reporting Period.

With the growing awareness towards waste reduction and simpler product packaging, the Group has been actively minimising packaging materials and recycling plastic containers to protect the environment.

The Environment and Natural Resources

As the expectations on corporate responsibility increase, sustainability is a business approach to creating long-term value to the Group by committing to control its emissions as well as documenting its consumption of resources. The Group's operations are mainly taken place indoor and the business is not involved in production-related air, water and land pollutions which are regulated under related environmental laws and regulations, the impact of the Group's activities towards the environment and natural resources is comparatively low.

SOCIAL

Employment and Labour Practices

Employment Policy and Compliance

As at 30th September 2020, the total workforce of the Group was 725 (2019: 755), the employee composition is listed in the following table.

Employee Structure	Female	Male	Full Time	Part Time	18-25	26-35	36-45	46-55	56 and above
2020	95.6%	4.4%	95.0%	5.0%	8.7%	34.2%	34.0%	13.8%	9.3%
2019	95.5%	4.5%	95.9%	4.1%	10.7%	35.2%	31.9%	12.9%	9.3%
2018	95.3%	4.7%	96.9%	3.1%	11.9%	35.3%	34.0%	10.6%	8.2%

To promote a diverse and high-quality workforce, the Group provides equal opportunities to its employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. The Group's staff handbook is designed to communicate important laws and work ethics surrounding employment, benefits and welfare, training and development, occupational health and safety, and code of conduct guidelines. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from unfair or inconsistent treatment and discrimination at work.

Through the years of experience in the industry, the Group understands that its success and competitiveness are highly dependent on its workforce, it has dedicated and experienced employees to support its business expansion strategies. The Group provides a competitive remuneration package to encourage a productive and sustainable workforce and to attract, retain, and incentivise employees. 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 recognise employees and to foster a healthy and productive workforce. The objective of the Group's human resource management is to reward and motivate performing employees by reviewing their remuneration and welfare through the performance appraisal system. Performance appraisal is conducted annually based on employees' performance, skills and achievement.

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 is used for better internal communication and 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 following table highlights the annual turnover rate of the Group:

Year	18-25	26-35	36-45	46-55	56 and above
2020	6.2%	14.1%	10.2%	5.1%	4.1%
2019	9.7%	16.6%	14.7%	5.7%	4.5%
2018	11.0%	19.8%	13.5%	4.6%	4.5%

Occupational Health and Safety Policy and Compliance

The Group cares about the well-being of its employees and is committed to providing a safe and secure working environment for them. In compliance with the related occupational health and safety regulations in the places where it operates, instructions and trainings regarding health and safety issues are developed and provided to the employees periodically. Equipment operating procedures are provided through trainings to promote and enhance safety awareness and practices. By communicating workplace safety guidelines through trainings, safety briefings and notices, employees are able to identify, evaluate and control health and safety hazard.

The COVID-19 pandemic crisis has been putting pressure on the Group and its employees during the Reporting Period. As part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group complied strictly with the virus prevention regulations as required by the government, and stringent infection preventive measures were implemented to protect its employees. The Group's human resources department provided abundant information to its employees so that they understood the pandemic and the related prevention methods. The Group closely monitored the health of its employees by checking their body temperature, providing sufficient surgical masks and alcohol-based hand rub in its headquarters, beauty and medical beauty centres and retail outlets. The Group also arranged some of its employees to work from home and to conduct business meetings online to minimise the spread of the pandemic. Employees were advised to wear masks and avoid physical contact (such as shaking hands, hugging) and crowded places when they were required to meet people or work outside in their local community.

The Group has established a response mechanism in responding to scenarios where employees are infected by COVID-19 to minimise the impact to other employees, the neighbour of the Group and the members of the public. The Group also followed the quarantine requirement of the places where it has operations to minimise the spreading of the virus.

During the Reporting Period, the Group was not aware of any non-compliance relating to health and safety related laws and regulations.

Occupational Health and Safety Data	2020	2019	2018
Number of work injury cases	1	7	6
Number of work-related fatalities	0	0	0
Lost days due to work injury	123	227.5	17
Work injury rate	1.38	6.62	4.18

Human Capital Development and Training Policy

Excelling in the service industry is always more challenging as the customers of the service industry are often more critical and demanding, since they are in direct contact with the service and experience more personal touch. The Group understands that keeping the customers satisfied must rely upon its employees. It is important to develop and empower employees as they are the ones to deliver exceptional customer service to customers. To strengthen employees' skillset and professionalism, comprehensive training programs are developed and provided to ensure they received the relevant trainings for their jobs 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 for employees' personal growth both intellectually and professionally.

The following table listed the total training hours and average training hours per employee during the Reporting Period:

Training Hours	2020	2019	2018
Total (hours)	3,356.5	10,194.0	7,306.0
Average (per employee) (hours)	4.6	13.5	10.3

Labour Practices and Compliance

The Group complies with the applicable laws and regulations relating to employment, child and forced labour practices in the places where it operates. Recruitment of employees is strictly abided by the hiring process and guidelines administered by the human resources department so that suitable talents are recruited in accordance with relevant labour laws, job requirement, and both the Group and the candidates' expectation for a fair, harmonious and sustainable workforce. During the Reporting Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

Operating Practices

Supply Chain Management

The Group engages a number of suppliers across its supply chain for the procurement of beauty products, beauty equipment and utensils. To guarantee the quality of the supplies that are essential in the provision of exceptional beauty services and products, 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, manufacturers and material suppliers are chosen carefully based on documented procedures, due diligence check, and selection criteria.

Manufacturers and Suppliers' Engagement

The Group believes that using strategic suppliers who offer reliable, high quality, safe and technologically advanced products is critical to meet the needs of its customers. Sourcing for suppliers must undergo supplier evaluation process based on prescribed selection criteria including the supplier's reputation, financial standing, production facilities, quality management system, product range, regulatory requirement compliance, operating capacity, product sample for testing, delivery assurance, training policy and procedure, price, and product recall policy. The Group establishes long-term relationship with its suppliers to ensure product and service quality. During the Reporting Period, suppliers from France, Germany, Italy, Monaco, Spain, Switzerland, Japan, Korea, Malaysia, Taiwan, PRC and Hong Kong are appointed, a total of 42 suppliers (2019: 45) were listed on the approved suppliers list which the Group would review periodically and provide updates to its employees.

Product Responsibility and Quality Assurance Process

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

The Group is committed to providing innovative and high-quality beauty and wellness services and products to its customers. As some beauty treatments require the use of beauty equipment, the equipment are maintained regularly by respective manufacturers to ensure safety and quality performance. Furthermore, refresher trainings and examinations are conducted to ensure employees' quality performance. New and advanced beauty equipment are procured to improve service quality and customer satisfaction. Considerable efforts are made on redefining service flow and upgrading customer experience to ensure professional and attentive services are provided.

Together by partnering with the Group's selected manufacturers and suppliers, product and service quality are maintained and guaranteed. The Group performs annual assessment to evaluate the overall performance of its manufacturers and suppliers with documented reports for continuous improvement and cooperation. During the Reporting Period, there was no significant complaints received on product quality and service delivery.

Data Protection and Privacy Policy

The Group is committed to protecting the privacy of its customers, employees, business partners and suppliers by maintaining a safe and secure data environment. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) by ensuring the highest standard of information security and protection. As stipulated in the Group's Code of Conduct on data confidentiality, all personal and business data collected during the Group's business activities are organised and secured properly. Computers and servers are protected from access passwords, Employees are instructed of their responsibility to follow the confidentiality code on the access to information and to ensure the safekeeping of all personal, customer and business data, trade secrets and proprietary information. Employees are prohibited from disclosing the information to unauthorised parties.

Protecting Intellectual Property Rights

The Group owned and registered several trademarks and domain names as they are important to its brand, 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.

Anti-corruption Policy

The Group is committed to support its corporate value by upholding its philosophy to manage all business with the highest standards of business ethics, 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. All non-compliance with the Code or fraudulent practices are strictly forbidden.

Conflict of Interest Policy

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 third parties with his profession to achieve financial and personal gain is strictly prohibited.

Preventive Measures and Whistle-blowing Procedures

The Group promotes the importance of ethical behaviour and encourages whistleblowing and the reporting of suspected corruption, misconduct, unlawful or unethical activities in strict confidence. The Group's Code of Conduct requires its directors and employees to promptly declare business and work-related situations such as conflict of interest, crimes or other unexpected events that can be damaging to the Group. Incidents and allegations or suspicions of fraud will be assessed and investigated. During the Reporting Period, the Group provided reading materials to educate employees the applicable rules and regulations with regards to the detection and prevention of potential corruption, conflict of interest, fraud and malpractice behaviour. Employees were aware of the Group's ethical standard and the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

Community

Community Care and Charitable Donations

The Group's community investment policy is designed to support charitable and non-profit organisations through donations and community care. To develop human capital, the Group participated in the Employee Retraining Board ("ERB") Manpower Developer Scheme to promote and cultivate the corporate culture of employee development and progression. During the Reporting Period, the Group has won the ERB Manpower Developer Award which demonstrated the Group's outstanding achievements in human capital training and development. In addition, the Group will continue to explore opportunities in contributing to charitable donations or community events to play a role in making a difference and strengthening the community.

The Sustainable Future

The COVID-19 pandemic outbreak has had a significant impact on the beauty industry due to the social distancing restrictions as well as a fall in demand among consumers. The Group's business is also greatly affected by the suspension of operations as required by the government in the second half of 2020. Furthermore, consumers are becoming more concerned about health, wellness and issues such as climate change, natural resource depletion and environmental degradation, leading to the ingredients and quality of beauty products and personal care products being the key considerations of consumption. The Group will continue to provide reputable products from cosmetics and personal care manufacturers to ensure customer satisfaction and environmental sustainability to expand and flourish in the industry.

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, 2020.

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, 2020 are set out in note 39 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, 2020 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 37 and 119 of this annual report respectively. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report.

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business, including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. In addition, discussion on the Group's detailed environmental policies and performance and the stakeholder relationships are contained in the Environmental, Social and Governance Report on pages 26 to 37 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 for the year ended 30th September, 2020.

The Board has not identified any important events affecting the Group that have occurred since the end of the year save for non-compliance of the financial reporting provisions under the Listing Rules in respect of (i) announcing the annual results for the year ended 30th September, 2020; (ii) publishing the related annual report of the Company for the year ended 30th September, 2020; and (iii) convening an AGM for the year ended 30th September, 2020.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 to 56.

The directors do not recommend the payment of a final dividend for the year ended 30th September, 2020.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2020 are set out in note 29 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 59.

INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2020 were measured using the fair value model, details of which are set out in note 18 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group are set out in note 19 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 119.

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 Siu Kei
YU Lai Chu, Eileen
LAI Yin Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS:

WONG Lung Tak, Patrick, B.B.S., J.P.
WONG Chun Nam, Duffy, B.B.S., J.P.
WONG Chi Keung

In accordance with Articles 87(1) and (2) of the Articles of Association and the code provision A.4.2 of the CG Code, Mr. Yu Kam Shui, Erastus and Ms. Yu Lai Chu, Eileen will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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, 2020, 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	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%

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

As at 30th September, 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 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 30 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 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, 2020.

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

As at 30th September, 2020, 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	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 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, 2020, no other corporation which or person who (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, 2020.

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, 2020 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, 2020 are set out in note 40 to the consolidated financial statements.

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, 2020.

DONATIONS

No charitable and other donations were made by the Group for the year ended 30th September, 2020 (2019: HK$46,800).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2020, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 56.5% and 32.2% of the Group's total purchase respectively, whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.5% of the Group's total turnover.

At all times during the year ended 30th September, 2020, 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, 2020, the distributable reserves of the Company amounted to approximately HK$10.0 million under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (2019: HK$57.9 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, 2020 amounted to approximately HK$418.5 million (2019: HK$385.6 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2020, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$223.1 million (2019: HK$285.0 million), was approximately 4.4% (2019: 4.7%). Details of the secured mortgage loan are set out in note 28 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, 2020.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2020, the Group employed 775 staff (as at 30th September, 2019: 824 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, 2020.

Other than the share option scheme 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, 2020.

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 scheme 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, 2020.

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, 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 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, 2020 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of this report.

INDEPENDENT AUDITOR

On 11th March, 2020, Deloitte Touche Tohmatsu tendered its resignation as the independent auditor of the Company and BDO Limited was appointed as the independent auditor of the Company by the Board on the same date to fill the casual vacancy. The accompanying consolidated financial statements have been audited by BDO Limited 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 BDO Limited as the independent auditor of the Company and to authorise the Board to fix the remuneration will be proposed at the forthcoming AGM.

Save for the above, there were no change of independent auditor in the past three years.

On Behalf of the Board

TAM Siu Kei
Executive Director and CEO

Hong Kong, 26th February, 2021

Independent Auditor's Report

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TO THE SHAREHOLDERS OF WATER OASIS GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Water Oasis Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 118, which comprise the consolidated statement of financial position as at 30th September, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Key Audit Matters

Revenue recognition from prepaid treatment services

Revenue from treatment services is recognised when such services have been rendered to customers.

Prepaid treatment services not yet rendered, which are non-refundable, are deferred and reported as contract liabilities in the consolidated statement of financial position. Customers who may not exercise all of the contractual rights of the prepaid treatment services upon expiry of the service period and such unutilised portion are referred to as breakage.

The Group recognised an expected breakage amount as revenue in proportion to the historical pattern of rights exercised by the customers. Upon expiry of the service period, the unutilised portion of the prepaid treatment services are fully recognised in profit or loss. As at 30th September, 2020, the carrying amount of contract liabilities amounted to HK$649,479,000. During the year ended 30th September, 2020, revenue recognised from treatment services amounted to HK$413,424,000.

The determination of the expected breakage amount involves management's estimate based on the Group's historical experience on the utilisation of prepaid treatment services. The recognition of revenue from the unutilised portion of the expired prepaid treatment services involves significant management's judgement to determine the appropriate timing when the obligations to provide services are considered to be expired based on the Group's forfeiture policy.

Related disclosures are included in notes 4 and 5 to the consolidated financial statements.

Our response:

Our key audit procedures included:

- obtaining an understanding of the Group's revenue recognition policy in relation to prepaid treatment services;
- with the assistance of our internal IT specialists, identifying and evaluating the relevant IT systems and the design, implementation and operating effectiveness of key internal controls over the revenue recognition from treatment services;
- utilising our internal IT specialists to assist us in assessing the calculation logic of revenue for treatment services and assessing the estimates used in the determination of expected breakage amount such as historical experience on the utilisation of treatment services;
- testing the data for the calculated expected breakage amount, on a sample basis, by examining the underlying service contracts and usage records; and
- checking the calculation of revenue recognised by examining the underlying sales contracts and related records on a sampling basis.

Independent Auditor's Report (Continued)

Key Audit Matters

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 16 and 17 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, 2020. 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 estimation of the recoverable amount 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 response:

Our key audit procedures 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.

Independent Auditor's Report (Continued)

Key Audit Matters

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 18 to the consolidated financial statements, the carrying amount of investment properties is HK$227,188,000 as at 30th September, 2020. 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 response:

Our key audit procedures 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 of 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 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.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company’s 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.

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and 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.

The directors are also responsible for overseeing the Group’s financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Independent Auditor's Report (Continued)

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- 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.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

CHOI Kit Ying

Practising Certificate no. P07387

Hong Kong, 26th February, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2020 HK$'000	2019 HK$'000
Revenue	6	**531,374**	763,981
Purchases and changes in inventories of finished goods		**(50,355)**	(56,662)
Other income		**28,398**	9,123
Other gains or losses	7	**(7,720)**	(1,575)
Staff costs	14	**(234,487)**	(325,055)
Depreciation		**(105,749)**	(27,932)
Finance costs	8	**(8,124)**	(339)
Other expenses	9	**(116,751)**	(230,934)
Profit before taxation		**36,586**	130,607
Taxation	10	**(9,126)**	(23,248)
Profit for the year	11	**27,460**	107,359
Profit (loss) for the year attributable to:			
Owners of the Company		**27,736**	107,690
Non-controlling interests		**(276)**	(331)
		27,460	107,359

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

	Notes	FOR THE YEAR ENDED 30TH SEPTEMBER, 2020 HK$'000	2019 HK$'000
Profit for the year		**27,460**	107,359
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,342**	(1,192)
Total comprehensive income for the year		**28,802**	106,167
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**29,092**	106,482
Non-controlling interests		**(290)**	(315)
		28,802	106,167
Earnings per share			
Basic	12	**4.1 HK cents**	15.8 HK cents
Diluted	12	**4.1 HK cents**	15.8 HK cents

Consolidated Statement of Financial Position

	Notes	AS AT 30TH SEPTEMBER, 2020 HK$'000	2019 HK$'000
Non-current assets			
Intangible assets	16	**59,075**	59,041
Goodwill	17	**3,012**	3,012
Investment properties	18	**227,188**	233,966
Property and equipment	19	**51,873**	112,271
Right-of-use assets	20	**242,374**	–
Rental deposits	21	**27,389**	29,248
Deferred tax assets	32	**7,792**	9,603
		618,703	447,141
Current assets			
Inventories	22	**48,494**	39,182
Trade receivables	23	**19,766**	29,818
Contract costs	24	**57,815**	49,989
Prepayments		**7,624**	10,930
Other deposits and receivables		**21,074**	10,834
Tax recoverable		**2,597**	74
Bank balances and cash	25	**418,516**	385,580
		575,886	526,407
Current liabilities			
Trade payables	26	**4,778**	7,322
Accruals and other payables		**91,566**	83,116
Contract liabilities	27	**649,479**	544,496
Secured mortgage loan	28	**3,334**	3,525
Lease liabilities	20	**99,285**	–
Tax payable		**4,981**	26,272
		853,423	664,731
Net current liabilities		**(277,537)**	(138,324)
Total assets less current liabilities		**341,166**	308,817

Consolidated Statement of Financial Position
(Continued)

	Notes	AS AT 30TH SEPTEMBER, 2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	29	**68,055**	68,055
Reserves		**148,383**	210,017
Equity attributable to owners of the Company		**216,438**	278,072
Non-controlling interests		**6,671**	6,961
Total equity		**223,109**	285,033
Non-current liabilities			
Secured mortgage loan	28	**6,594**	9,934
Lease liabilities	20	**95,826**	–
Deferred tax liabilities	32	**15,637**	13,850
		118,057	23,784
		341,166	308,817

The consolidated financial statements on pages 55 to 118 were approved and authorised for issue by the Board of Directors on 26th February, 2021 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, 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 29)	110	1,153	–	–	–	–	(178)	–	–	1,085	–	1,085
Share options lapsed (note 30)	–	–	–	–	–	–	(1,683)	–	1,683	–	–	–
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	–	–	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
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 year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,736**	**27,736**	**(276)**	**27,460**
Exchange differences arising on translation of foreign operations	**–**	**–**	**1,356**	**–**	**–**	**–**	**–**	**–**	**–**	**1,356**	**(14)**	**1,342**
Total comprehensive income (expense) for the year	**–**	**–**	**1,356**	**–**	**–**	**–**	**–**	**–**	**27,736**	**29,092**	**(290)**	**28,802**
2019 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(47,639)**	**(47,639)**	**–**	**(47,639)**
2020 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,833)**	**(40,833)**	**–**	**(40,833)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(88,472)**	**(88,472)**	**–**	**(88,472)**
At 30th September, 2020	**68,055**	**1,153**	**22,576**	**(1,766)**	**450**	**1,797**	**–**	**(589)**	**124,762**	**216,438**	**6,671**	**223,109**

(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

	2020	2019
	FOR THE YEAR ENDED 30TH SEPTEMBER,	
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**36,586**	130,607
Adjustments for:		
Amortisation of intangible assets	**101**	115
Depreciation	**105,749**	27,932
Loss (gain) on fair value change of investment properties	**6,778**	(362)
Interest expenses on secured mortgage loan	**254**	339
Interest expenses on lease liabilities	**7,870**	–
Interest income on bank deposits	**(3,496)**	(5,480)
Interest income on rental deposits	**(903)**	–
Rent concessions	**(13,172)**	–
Net loss on disposal/write-off of property and equipment	**452**	911
Impairment of intangible asset	**–**	510
Impairment of goodwill	**–**	486
Operating cash flows before movements in working capital	**140,219**	155,058
Increase in inventories	**(9,293)**	(2,293)
Decrease (increase) in trade receivables	**10,052**	(1,108)
Increase in rental deposits, prepayments, other deposits and receivables	**(9,270)**	(579)
Increase in contract costs	**(7,709)**	(1,815)
Increase in contract liabilities	**103,853**	31,309
(Decrease) increase in trade payables	**(2,544)**	230
Increase in accruals and other payables	**10,921**	6,497
Cash generated from operations	**236,229**	187,299
Hong Kong Profits Tax paid	**(23,028)**	(17,559)
The PRC Enterprise Income Tax paid	**(5,604)**	(4,359)
The PRC Enterprise Income Tax refunded	**74**	56
Net cash from operating activities	**207,671**	165,437

Consolidated Statement of Cash Flows
(Continued)

	Note	2020 HK$'000	2019 HK$'000
		FOR THE YEAR ENDED 30TH SEPTEMBER,	
Investing activities			
Purchase of property and equipment		**(23,321)**	(64,724)
Acquisition of a subsidiary	33	**–**	(1,006)
Interest received on bank deposits		**3,378**	4,999
Proceeds on disposal of property and equipment		**126**	466
Additions in intangible assets		**(133)**	–
Net cash used in investing activities		**(19,950)**	(60,265)
Financing activities			
Dividends paid		**(88,472)**	(91,874)
Repayment of principal portion of lease liabilities		**(57,576)**	–
Repayment of interest portion of lease liabilities		**(7,865)**	–
Repayment of secured mortgage loan		**(3,531)**	(3,178)
Interest paid on secured mortgage loan		**(279)**	(344)
Proceeds from issue of shares upon exercise of share options		**–**	1,085
Net cash used in financing activities		**(157,723)**	(94,311)
Net increase in cash and cash equivalents		**29,998**	10,861
Cash and cash equivalents at beginning of the year		**385,580**	376,571
Effect of foreign exchange rate changes		**2,938**	(1,852)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**418,516**	385,580

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, 2020, 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 16 "Leases"

(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 and other payables	(1,582)
Lease liabilities (current)	56,567
Lease liabilities (non-current)	101,870
Retained profits	(2,254)

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

3.1 HKFRS 16 "Leases" (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

Leasehold land and buildings amounted to approximately HK$58,958,000 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.

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

3.1 HKFRS 16 "Leases" (Continued)

(iii) Accounting as a lessee (Continued)

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.

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

3.1 HKFRS 16 "Leases" (Continued)

(iii) Accounting as a lessee (Continued)

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.

In addition, the Group has applied the amendments to HKFRS 16 in advance of its effective date. The amendments provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

During the year ended 30th September, 2020, certain monthly lease payments for the leases of the Group's shop units have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30th September, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$10,706,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the consolidated income statement for the year ended 30th September, 2020.

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

3.1 HKFRS 16 "Leases" (Continued)

(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 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.

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

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 except for the amendments to HKFRS 16 as described below.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[2]
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 9, Financial Instruments[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 16, Leases[3]
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

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

[2] Effective for annual periods beginning on or after 1st June, 2020

[3] Effective for annual periods beginning on or after 1st January, 2022

[4] Effective for annual periods beginning on or after 1st January, 2023

[5] The amendments were originally intended to be effective for periods beginning on or after 1st January, 2021. The effective date has now been extended to 1st January, 2023

[6] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the annual reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 20). There is no impact on the opening balance of equity at 1st October, 2019.

The directors of the Company anticipate that the application of these new or revised HKFRSs will have no material impact on the Group's future financial statements.

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 accounted for in accordance with HKFRS 16 (since 1st October, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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 treatment services in beauty salons, spas and medical beauty centres 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 treatment services 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 prepaid treatment services 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 treatment services

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 treatment services utilised by the customers.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property and Equipment

Property and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold Land and Building

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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.

Financial assets

Classification and subsequent measurement of financial assets

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of financial assets (Continued)

(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.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Current and deferred tax are recognised in profit or loss. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

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 30.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Leases (upon application of HKFRS 16 in accordance with transitions in note 3)

(a) Accounting as a lessee

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 accounting policy choices exist 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 Company has elected not to recognise right-of-use assets and lease liabilities for both of the choices. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

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 and (iii) 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. The Company measures the right-of-use assets applying a cost model. Under the cost model, the Company measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Company has leased a property under tenancy agreement which the Company exercises its judgement and determines that it is a separate class of asset. As a result, the right-of-use asset arising from the property under tenancy agreement is carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

(a) Accounting as a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the Company'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, the Company measures 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 rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(b) Accounting as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. 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 leased asset and recognised as an expense on the straight-line basis over the lease term.

Leases (prior to 1st October, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating 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. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition from unutilised prepaid treatment services

The recognition of revenue from the unutilised portion of the expired prepaid treatment services involves significant management's judgement to determine the appropriate timing when the obligations to provide services are considered to be expired based on the Group's forfeiture policy and hence the recognition criteria for the related revenue are met in accordance with the accounting policy for revenue recognition in note 4 to the financial statements.

Estimation uncertainty

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, are described below.

Utilisation pattern of treatment services

Customers who may not exercise all the contractual rights of the prepaid treatment services upon expiry of the service period, and such unutilised portion are referred to as breakage. The Group determines the expected breakage amount with reference to the Group's historical experience on the utilisation of prepaid treatment services. Estimates of expected breakage amount are sensitive to changes in circumstances and the Group's past experience may not be representative of the actual outcome in the future.

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, 2020, the carrying amount of trademarks and goodwill is HK$58,896,000 (2019: HK$58,896,000) and HK$3,012,000 (2019: HK$3,012,000) respectively. Details of the recoverable amount calculation are disclosed in notes 16 and 17.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (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 38 and note 23 respectively.

Valuation of investment properties

Investment properties were carried at its fair value in the consolidated statement of financial position as at 30th September, 2020 and 2019. Details of which are disclosed in note 18 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, 2020, the carrying amount of investment properties is HK$227,188,000 (2019: HK$233,966,000), with a decrease in fair value of HK$6,778,000 (2019: increase of HK$362,000) recognised in profit or loss for the year ended 30th September, 2020.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impairment of fixed assets and right-of-use assets

Fixed assets and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

6. REVENUE 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 treatment services in beauty salons, spas and medical beauty centres

(i) Disaggregation of revenue from contracts with customers

Revenue recognised during the year are as follows:

	Product segment		Service segment		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Time of revenue recognition						
At a point of time	**117,950**	139,132	**–**	–	**117,950**	139,132
Over time	**–**	–	**413,424**	624,849	**413,424**	624,849
	117,950	139,132	**413,424**	624,849	**531,374**	763,981

(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 treatment services in beauty salons, spas and medical beauty centres 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 treatment services are recorded as contract liabilities at the time of receipt.

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 revenue and segment results are presented.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligations for contracts with customers (Continued)

The following is an analysis of the Group's revenue and results by operating segments for the year:

	Product segment		Service segment		Elimination		Consolidated	
	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	**117,950**	139,132	**413,424**	624,849	**–**	–	**531,374**	763,981
Inter-segment sales	**20,486**	21,108	**–**	–	**(20,486)**	(21,108)	**–**	–
Total	**138,436**	160,240	**413,424**	624,849	**(20,486)**	(21,108)	**531,374**	763,981
Segment results	**18,353**	32,358	**79,481**	174,720	**–**	–	**97,834**	207,078
Other income							**28,398**	9,123
Other gains or losses							**(7,720)**	(1,575)
Finance costs							**(8,124)**	(339)
Central administrative costs							**(73,802)**	(83,680)
Profit before taxation							**36,586**	130,607

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	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	**4,921**	4,588	**17,310**	23,344	**22,231**	27,932
Amortisation of intangible assets	**101**	115	**–**	–	**101**	115

6. REVENUE 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 revenue and information about its non-current assets by geographical location (excluding trademarks, goodwill and deferred tax assets) are detailed below:

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong and Macau	**498,329**	733,471	**541,987**	374,192
The PRC	**33,045**	30,510	**7,016**	1,438
	531,374	763,981	**549,003**	375,630

Information about major customers

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

7. OTHER GAINS OR LOSSES

	2020	2019
	HK$'000	HK$'000
(Loss) gain on fair value change of investment properties	**(6,778)**	362
Net loss on disposal/write-off of property and equipment	**(452)**	(911)
Net exchange loss	**(490)**	(30)
Impairment of intangible assets	**–**	(510)
Impairment of goodwill	**–**	(486)
	(7,720)	(1,575)

8. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest expenses on secured mortgage loan	**254**	339
Interest expenses on lease liabilities	**7,870**	–
	8,124	339

9. OTHER EXPENSES

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**1,360**	1,506
Amortisation of intangible assets	**101**	115
Bank charges	**26,976**	34,041
Marketing expenses	**11,111**	24,248
Expenses relating to leases of		
– Short-term lease expense	**19,983**	–
– Low-value lease expense	**469**	–
– Variable lease payments not included in the measurement of lease liabilities	**2,299**	–
Operating lease rentals in respect of land and buildings		
– Minimum lease payments	**–**	101,925
– Contingent rents	**–**	3,428
Building management fees, government rent and rates	**19,619**	21,193
Cleaning and laundry	**4,734**	6,239
Transportation, storage and delivery	**5,659**	5,658
Printing, stationery and administration	**7,914**	8,649
Utilities and telecommunications	**2,986**	3,871
Others	**13,540**	20,061
	116,751	230,934

10. TAXATION

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong Profits Tax	**(1,443)**	19,998
The PRC Enterprise Income Tax ("EIT")	**6,475**	4,945
Over provision in prior years	**(365)**	(248)
	4,667	24,695
Deferred taxation (note 32)	**4,459**	(1,447)
	9,126	23,248

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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.

10. TAXATION (Continued)

The PRC EIT 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 as set out in note 32.

Taxation on profits generated outside Hong Kong has been calculated on the estimated assessable profits 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:

	2020 HK$'000	2019 HK$'000
Profit before taxation	**36,586**	130,607
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**6,037**	21,550
Effect of different tax rates applied in other jurisdictions	**1,469**	997
Tax effect of income not taxable for tax purpose	**(5,708)**	(971)
Tax effect of expenses not deductible for tax purpose	**2,512**	1,347
Utilisation of tax losses previously not recognised	**(463)**	(1,057)
Tax effect of tax losses not recognised	**3,003**	1,487
Over provision in prior years	**(365)**	(248)
Tax effect of withholding tax arising from undistributed profits of subsidiaries	**1,307**	879
Income tax at concessionary rate	**(165)**	(165)
Others	**1,499**	(571)
Taxation for the year	**9,126**	23,248

11. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year is stated at after charging:		
Depreciation:		
– Property and equipment	**22,231**	27,932
– Right-of-use assets	**83,518**	–
and after crediting:		
Interest income on bank deposits	**3,496**	5,480
Government subsidies (Note)	**31,898**	–
Rental income from investment properties net of negligible direct operating expenses	**3,448**	3,134
Rent concessions related to COVID-19	**12,228**	–
Other rent concessions	**944**	–

Note: During the year ended 30th September, 2020, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK$26,558,000 under the Employment Support Scheme which was included in staff costs; other subsidies of HK$5,340,000 under the Anti-epidemic Fund of the Hong Kong Government which was included in other income. The Group has complied all attached conditions for the year ended 30th September, 2020.

12. 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:

	2020 HK$'000	2019 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**27,736**	107,690

	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,552,764**	680,333,860
Effect of dilutive potential ordinary shares – share options of the Company	**–**	429,241
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,552,764**	680,763,101

13. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Interim dividend declared and paid of 6.0 HK cents (2019: 8.0 HK cents) per share	**40,833**	54,444
Final dividend proposed after the end of the reporting period of Nil (2019: 7.0 HK cents) per share	**–**	47,639
	40,833	102,083

The Board does not recommend the payment of final dividend for the year (2019: 7.0 HK cents per share).

The aggregate amount of the dividends paid during the year ended 30th September, 2020 were approximately HK$88,472,000 (2019: HK$91,874,000).

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Wages, salaries, bonuses and allowances	**252,204**	313,002
Pension costs – defined contribution plans	**8,841**	12,053
Government subsidies (note)	**(26,558)**	–
	234,487	325,055

Note: During the year ended 30th September, 2020, $26,558,000 government subsidies was granted due to the COVID-19 pandemic under the Employment Support Scheme.

15. 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	2020 Total emoluments HK$'000
Yu Kam Shui, Erastus(4)(6)	–	863	2,146	–	**3,009**
Yu Lai Chu, Eileen	–	863	2,146	–	**3,009**
Lai Yin Ping	–	863	2,146	18	**3,027**
Wong Lung Tak, Patrick(1)(2)(3)(4)(5)(6)	250	–	–	–	**250**
Wong Chun Nam, Duffy(1)(2)(3)(4)(5)(6)	250	–	–	–	**250**
Wong Chi Keung(1)(2)(3)(4)(5)(6)	250	–	–	–	**250**
Tam Siu Kei(7)	–	4,329	3,146	18	**7,493**
Total for the year 2020	750	6,918	9,584	36	**17,288**

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
Yu Kam Shui, Erastus(4)(6)	–	897	1,847	–	2,744
Tam Chie Sang(8)	–	345	1,847	–	2,192
Yu Lai Chu, Eileen	–	897	1,847	–	2,744
Lai Yin Ping	–	897	1,847	18	2,762
Wong Lung Tak, Patrick(1)(2)(3)(4)(5)(6)	238	–	–	–	238
Wong Chun Nam, Duffy(1)(2)(3)(4)(5)(6)	238	–	–	–	238
Wong Chi Keung(1)(2)(3)(4)(5)(6)	238	–	–	–	238
Tam Siu Kei(7)	–	4,342	1,600	18	5,960
Total for the year 2019	714	7,378	8,988	36	17,116

(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

15. 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, two (2019: one) were directors of the Company. Emoluments payable to the five individuals during the year were as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries and other allowances	**14,651**	19,609
Bonuses	**5,747**	1,600
Retirement benefit costs	**90**	90
	20,488	21,299

Their emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$3,000,001 – HK$3,500,000	**4**	–
HK$3,500,001 – HK$4,000,000	**–**	3
HK$4,000,001 – HK$4,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**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.

16. INTANGIBLE ASSETS

	Licence fees HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1st October, 2018	461	58,896	59,357
Acquisition of a subsidiary (note 33)	–	510	510
Exchange realignment	(18)	–	(18)
At 30th September, 2019	443	59,406	59,849
Additions	**133**	**–**	**133**
Exchange realignment	**16**	**–**	**16**
At 30th September, 2020	**592**	**59,406**	**59,998**
ACCUMULATED AMORTISATION			
At 1st October, 2018	195	–	195
Charged for the year	115	–	115
Exchange realignment	(12)	–	(12)
At 30th September, 2019	298	–	298
Charged for the year	**101**	**–**	**101**
Exchange realignment	**14**	**–**	**14**
At 30th September, 2020	**413**	**–**	**413**
IMPAIRMENT			
As 1st October, 2018	–	–	–
Impairment loss recognised	–	510	510
At 30th September, 2019 and 30th September, 2020	**–**	**510**	**510**
CARRYING VALUE			
At 30th September, 2020	**179**	**58,896**	**59,075**
At 30th September, 2019	145	58,896	59,041

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 17.

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 33. 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.

17. GOODWILL

	HK$'000
COST	
At 1st October, 2018	3,012
Arising on acquisition of a subsidiary (note 33)	486
At 30th September, 2019 and 30th September, 2020	**3,498**
IMPAIRMENT	
At 1st October, 2018	–
Impairment loss recognised (note)	486
At 30th September, 2019 and 30th September, 2020	**486**
CARRYING VALUE	
At 30th September, 2019 and 30th September, 2020	**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 33. 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 16 which were acquired in the same business combination during the year ended 30th September, 2010. As at 30th September, 2020 and 2019, 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% (2019: 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, 2020 and 2019, 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.

18. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At the beginning of the year	**233,966**	233,604
(Decrease) increase in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	**(6,778)**	362
At the end of the year	**227,188**	233,966

18. INVESTMENT PROPERTIES (Continued)

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

	2020 HK$'000	2019 HK$'000
In Hong Kong	**227,188**	233,966

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, 2020 and 2019 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, 2020 and 2019:

Category	Fair value hierarchy	Fair value at 2020 HK$'000	Fair value at 2019 HK$'000	Valuation methodology	Key unobservable inputs	Range of unobservable inputs 2020	Range of unobservable inputs 2019	Relationship of unobservable inputs to fair value
Commercial properties	Level 3	**227,188**	233,966	Income approach	Monthly market rental per square foot	**HK$38 to HK$410**	HK$80 to HK$410	The higher the market rental, the higher the fair value
					Market yield	**2.6% to 4.6%**	2.7% to 4.7%	The lower the market yield, the higher the fair value

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

19. 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, 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 33)	–	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
Initial adoption of HKFRS 16	**(60,719)**	**(17,274)**	**–**	**–**	**–**	**–**	**(77,993)**
Restated balance as at 1st October, 2019	**–**	**106,988**	**4,791**	**9,639**	**90,596**	**10,216**	**222,230**
Additions	**–**	**14,398**	**–**	**1,267**	**7,445**	**211**	**23,321**
Disposals	**–**	**–**	**–**	**–**	**(153)**	**–**	**(153)**
Write-off	**–**	**(9,613)**	**–**	**(105)**	**(1,955)**	**(315)**	**(11,988)**
Exchange realignment	**–**	**–**	**–**	**4**	**112**	**5**	**121**
At 30th September, 2020	**–**	**111,773**	**4,791**	**10,805**	**96,045**	**10,117**	**233,531**
Accumulated depreciation							
At 1st October, 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
Initial adoption of HKFRS 16	**(1,761)**	**(15,315)**	**–**	**–**	**–**	**–**	**(17,076)**
Restated balance as at 1st October, 2019	**–**	**81,716**	**1,989**	**9,023**	**68,729**	**9,419**	**170,876**
Provided for the year	**–**	**12,139**	**1,383**	**548**	**7,908**	**253**	**22,231**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(114)**	**–**	**(114)**
Eliminated on write-off	**–**	**(9,596)**	**–**	**(105)**	**(1,433)**	**(315)**	**(11,449)**
Exchange realignment	**–**	**–**	**–**	**3**	**106**	**5**	**114**
At 30th September, 2020	**–**	**84,259**	**3,372**	**9,469**	**75,196**	**9,362**	**181,658**
Carrying value							
At 30th September, 2020	**–**	**27,514**	**1,419**	**1,336**	**20,849**	**755**	**51,873**
At 30th September, 2019	58,958	27,231	2,802	616	21,867	797	112,271

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%

20. LEASES

HKFRS 16 was adopted from 1st October, 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1st October, 2019, see note 3. The accounting policies applied subsequent to the date of initial application, 1st October, 2019, as disclosed in note 4. The Group leases a number of properties in the jurisdictions from which it operates.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	30th September, 2020 HK$'000	1st October, 2019 HK$'000
Leasehold land and buildings	**242,374**	216,489

	Total HK$'000
At 1st October, 2019	**216,489**
Additions	**104,956**
Depreciation	**(83,518)**
Lease modification	**4,373**
Exchange adjustment	**74**
At 30th September, 2020	**242,374**

Lease liabilities

The present value of future lease payments are analysed as follows:

	30th September, 2020 HK$'000	1st October, 2019 HK$'000
Current liabilities	**99,285**	56,567
Non-current liabilities	**95,826**	101,870
	195,111	158,437

During the year ended 30th September, 2020, the total cash outflow for leases were HK$65,441,000.

21. RENTAL DEPOSITS

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

22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods – merchandises	**48,494**	39,182

23. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**19,766**	29,818

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, presented based on the invoice dates, at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**15,492**	22,254
31 to 60 days	**473**	3,872
61 to 90 days	**498**	1,019
91 to 120 days	**1,899**	790
121 to 150 days	**1,388**	1,868
Over 150 days	**16**	15
	19,766	29,818

As at 30th September, 2020, trade receivables from contracts with customers amounted to HK$19,766,000 (2019: HK$29,818,000).

As at 30th September, 2020, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK$19,000 (2019: HK$15,000) which 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.

Details of impairment assessment of trade receivables for the year ended 30th September, 2020 are set out in note 38.

24. CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Incremental costs to obtain contracts	**57,815**	49,989

Contract costs capitalised as at 30th September, 2020 relate to the incremental sales commissions paid to sales staff whose selling activities resulted in customers entering into contracts for the treatment services in beauty salons, spas and medical beauty centres 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 and other comprehensive income 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$51,138,000 (2019: HK$73,702,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

25. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 1.5% (2019: 1.9%) per annum.

26. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**3,746**	3,974
31 to 60 days	**919**	3,342
Over 60 days	**113**	6
	4,778	7,322

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.

27. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Sales of skincare products	**3,155**	4,594
Provision of treatment services in beauty salons, spas and medical beauty centres	**646,324**	539,902
	649,479	544,496

Revenue recognised that was included in the contract liabilities balance at the beginning of the years are as follows:

	2020 HK$'000	2019 HK$'000
Sales of skincare products	**4,545**	5,325
Provision of treatment services in beauty salons, spas and medical beauty centres	**295,256**	378,629

28. SECURED MORTGAGE LOAN

	2020 HK$'000	2019 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**3,334**	3,525
Non-current liabilities	**6,594**	9,934
	9,928	13,459

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

	2020 HK$'000	2019 HK$'000
Within 1 year	**3,334**	3,525
1 year to less than 2 years	**3,407**	3,332
2 years to less than 3 years	**3,187**	3,409
3 years to less than 4 years	**–**	3,193
	9,928	13,459
Less: Amount due within one year shown under current liabilities	**(3,334)**	(3,525)
Amount shown under non-current liabilities	**6,594**	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$227,188,000 as at 30th September, 2020 (2019: HK$233,966,000). It bears interest at 2.85% (2019: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.15% (2019: 2.275%) per annum.

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st October, 2018, 30th September, 2019, 1st October, 2019 and 30th September, 2020	2,000,000,000	200,000
Issued and fully paid:		
At 1st October, 2018	679,452,764	67,945
Exercise of share options (note (a))	1,100,000	110
At 30th September, 2019 and 30th September, 2020	**680,552,764**	**68,055**

Notes:

(a) During the year ended 30th September, 2019, 1,100,000 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 30 with proceeds of approximately HK$1,085,000.

30. 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.

30. 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, cancelled, exercised or lapsed during the year ended 30th September, 2020 nor outstanding as at 30th September, 2020. 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.

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 previously recognised in share options reserve were transferred to retained profits.

31. 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.

32. 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$'000	Leases HK$'000	Total HK$'000
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 33)	39	(84)	–	–	–	–	(45)
(Charged) credited to the consolidated statement of profit or loss and other comprehensive income	(314)	84	(879)	544	2,012	–	1,447
At 30th September, 2019	769	(9,718)	(3,034)	3,907	3,829	–	(4,247)
Initial adoption of HKFRS 16 (note 3)	**–**	**–**	**–**	**–**	**–**	**763**	**763**
At 1st October, 2019 (restated)	**769**	**(9,718)**	**(3,034)**	**3,907**	**3,829**	**763**	**(3,484)**
Exchange realignment	**–**	**–**	**(129)**	**–**	**227**	**–**	**98**
(Charged) credited to the consolidated statement of profit or loss and other comprehensive income	**(295)**	**–**	**(1,307)**	**(3,907)**	**1,813**	**(763)**	**(4,459)**
At 30th September, 2020	**474**	**(9,718)**	**(4,470)**	**–**	**5,869**	**–**	**(7,845)**

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:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**7,792**	9,603
Deferred tax liabilities	**(15,637)**	(13,850)
	(7,845)	(4,247)

At the end of the reporting period, the Group had unused tax losses of approximately HK$71,153,000 (2019: HK$63,550,000) 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, 2020 and 2019.

At the end of the reporting period, tax losses of approximately HK$4,266,000 (2019: HK$15,187,000) from overseas subsidiaries will be expired starting from 2021 up to the end of 2025 (2019: starting from 2020 up to the end of 2024). Other unused tax losses may be carried forward indefinitely.

33. 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.

34. 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:

	2020 HK$'000	2019 HK$'000
Investment properties	**227,188**	233,966

35. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**283**	1,528

(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**	2020 HK$'000	2019 HK$'000
Not later than 1 year	**3,495**	2,880
More than 1 year but not later than 2 years	**681**	2,439
More than 2 years but not later than 3 years	**66**	–
	4,242	5,319

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

36. 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 and other payables HK$'000	Secured mortgage loan HK$'000	Dividend payable HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1st October, 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
Initial adoption of HKFRS 16	**–**	**–**	**–**	**158,437**	**158,437**
As 1st October, 2019 (restated)	**25**	**13,459**	**–**	**158,437**	**171,921**
Additions to lease liabilities	**–**	**–**	**–**	**101,425**	**101,425**
Lease modifications	**–**	**–**	**–**	**4,300**	**4,300**
Rent concessions	**–**	**–**	**–**	**(11,650)**	**(11,650)**
Interest expenses on secured mortgage loan	**254**	**–**	**–**	**–**	**254**
Interest expenses on lease liabilities	**–**	**–**	**–**	**7,870**	**7,870**
Exchange adjustment	**–**	**–**	**–**	**170**	**170**
Financing cash flows	**(279)**	**(3,531)**	**(88,472)**	**(65,441)**	**(157,723)**
Dividend declared	**–**	**–**	**88,472**	**–**	**88,472**
At 30th September, 2020	**–**	**9,928**	**–**	**195,111**	**205,039**

37. 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 28 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Amortised cost	**479,878**	450,563
Financial liabilities		
Amortised cost	**220,755**	28,359

(b) Financial Risk Management Objectives and Policies

The Group's financial instruments include trade receivables, other receivables, deposits, bank balances, trade payables, other payables, secured mortgage loan and lease liabilities. 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, 2020, 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.

38. FINANCIAL INSTRUMENTS (Continued)

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

(i) Credit Risk and Impairment Assessment (Continued)

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 revenue 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 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 95% (2019: 99%) of the total trade receivables as at 30th September, 2020.

Other receivables and deposits

The credit risk of other receivables and deposits 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 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.

38. 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:

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000
Financial assets at amortised cost					
Trade receivables	N/A	low risk (note (a))	Lifetime ECL	19,766	29,818
Other receivables	N/A	low risk (note (b))	12m ECL	8,791	773
Deposits	N/A	low risk (note (b))	12m ECL	33,332	34,934
Bank balances	Aa2-A3	N/A	12m ECL	417,989	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, 2020 and 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.

No trade receivables was written off during the year ended 30th September, 2020 (2019: HK$589,000).

38. 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:

	2020 HK$'000	2019 HK$'000
Assets		
United States Dollar ("US$")	**33,429**	53,596
Liabilities		
US$	**3,102**	5,424

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 25 and 28, 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 28.

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:

	2020 HK$'000	2019 HK$'000
Financial assets	**30,241**	30,810
Financial liabilities	**9,928**	13,459

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, 2020 would decrease by HK$41,000 (2019: HK$56,000) 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.

38. 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, 2019 and 30th September, 2020, 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 within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts as at 30th September, 2020 HK$'000
2020						
Trade payables	**–**	**4,778**	**–**	**–**	**4,778**	**4,778**
Other payables	**–**	**10,938**	**–**	**–**	**10,938**	**10,938**
Lease liabilities	**4.355**	**101,921**	**71,940**	**27,521**	**201,382**	**195,111**
Secured mortgage loan	**2.15**	**3,515**	**3,515**	**3,221**	**10,251**	**9,928**
		121,152	**75,455**	**30,742**	**227,349**	**220,755**

	Weighted average interest rate %	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts as at 30th September, 2019 HK$'000
2019						
Trade payables	–	7,322	–	–	7,322	7,322
Other payables	–	7,578	–	–	7,578	7,578
Secured mortgage loan	2.275	3,817	3,524	6,753	14,094	13,459
		18,717	3,524	6,753	28,994	28,359

(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.

39. 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

39. 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

39. 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.

40. RELATED PARTY TRANSACTION

(a) Travelling Expenses

	2020 HK$'000	2019 HK$'000
Travelling expenses paid to:		
– Hip Holiday Limited	**39**	88

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

	2020 HK$'000	2019 HK$'000
Basic salaries	**6,918**	7,378
Bonuses	**9,584**	8,988
Retirement benefit costs	**36**	36
	16,538	16,402

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.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		AS AT 30TH SEPTEMBER,	
	Notes	2020 HK$'000	2019 HK$'000
Non-current asset			
Investment in a subsidiary		**3,000**	3,000
Current assets			
Prepayments		**226**	187
Amounts due from subsidiaries	a	**214,718**	160,144
Bank balances		**2,601**	1,113
		217,545	161,444
Current liability			
Accruals and other payables		**582**	606
Amount due to a subsidiary	a	**140,316**	36,280
		140,898	36,886
Net current assets		**76,647**	124,558
Total assets less current liability		**79,647**	127,558
Capital and reserves			
Share capital		**68,055**	68,055
Reserves	b	**11,592**	59,503
Total equity		**79,647**	127,558

41. 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, 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
Profit and total comprehensive income for the year	**–**	**–**	**–**	**40,561**	**40,561**
2019 final dividend paid	**–**	**–**	**–**	**(47,639)**	**(47,639)**
2020 interim dividend paid	**–**	**–**	**–**	**(40,833)**	**(40,833)**
At 30th September, 2020	**1,153**	**450**	**–**	**9,989**	**11,592**

42. EVENT AFTER THE REPORTING PERIOD

On 4th December, 2020, Water Oasis Company Limited, an indirect wholly-owned subsidiary of the Company, applied for 10,000,000 shares of initial public offering of Blue Moon Group Holdings Limited (the "IPO Shares") (stock code : 6993) with an amount of approximately HK$132.9 million (including the principal amount of shares and the related brokerage, the Stock Exchange trading fee and the SFC transaction levy). The application was to be financed by the internal resources of the Group and the margin financing to be provided by the licensed bank. Having considered the business prospects, financial performance and potential growth of Blue Moon Group Holdings Limited as disclosed in the prospectus and with a view to better utilizing the cash of the Group, the Board considered that the investment would enable the Group to augment its return on assets. As one or more of the applicable percentage ratios for the application exceeded 5% but was less than 25%, the application constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The announcement was issued on 4th December, 2020. On 15th December, 2020, Water Oasis Company Limited was informed that 93,500 IPO Shares were allocated successfully.

Save as disclosed above, there is no significant event after the reporting period.

Five-Year Financial Summary

	Year ended 30th September,				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**531,374**	763,981	708,360	644,831	626,823
Profit before taxation	**36,586**	130,607	115,601	85,721	40,936
Taxation	**(9,126)**	(23,248)	(20,490)	(16,397)	(11,936)
Profit for the year	**27,460**	107,359	95,111	69,324	29,000
Profit (loss) for the year attributable to:					
Owners of the Company	**27,736**	107,690	95,238	69,331	29,063
Non-controlling interests	**(276)**	(331)	(127)	(7)	(63)
	27,460	107,359	95,111	69,324	29,000
STATEMENT OF FINANCIAL POSITION					
Total assets	**1,194,589**	973,548	939,248	897,292	788,516
Total liabilities	**(971,480)**	(688,515)	(650,507)	(584,905)	(502,406)
	223,109	285,033	288,741	312,387	286,110
Equity attributable to					
Owners of the Company	**216,438**	278,072	281,707	305,247	278,957
Non-controlling interests	**6,671**	6,961	7,034	7,140	7,153
	223,109	285,033	288,741	312,387	286,110

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
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