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

# 致力創建

## Creating a Brighter Future

# 豐盛未來

ANNUAL REPORT
年報

2021

# 2021 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. In June 2021, it acquired the beauty service and product portfolios of the Millistrong Group, further expanding its presence and market share in the Hong Kong beauty industry.

## 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. The various Oasis brand segments deliver a comprehensive all-round offering of beauty services and products that give the Oasis range 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, 2021, the Group had 15 Oasis Beauty centres in Hong Kong, and a further 3 Oasis Beauty centres in Beijing. These attractively presented centres serve middle-class customers looking for a mix of high quality skincare products and advanced beauty equipment, with treatments administered by professional beauticians. In addition, 2 Oasis Homme centres in Hong Kong deliver high-end one-stop facial and body treatments for men.

Meanwhile, the Group's 3 Oasis Spa centres provide outstanding beauty service and slimming experiences for high-end customers, offering advanced 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 9 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 one 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. The Group has 4 Oasis Hair Spas in Hong Kong, 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, and Oasis Florist.

## 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. These include a range of spas providing high-end beauty services within a resort-style ambience, retailing the Swiss-made Glycel product range. Glycel has also made a name for itself for the very wide range of high-end, state of the art beauty devices and treatments it offers customers.

## DermaSynergy and Eurobeauté

The Group's self-owned DermaSynergy brand is an advanced medical beauty product line that further expands the reach 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 and healing tea with health and beauty benefits for online ordering and home delivery.

## 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 3 Erno Laszlo outlets in Hong Kong, plus an Erno Laszlo counter in Macau's 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.

## Millistrong Group

In June 2021, the Group acquired the Millistrong Group, a Hong Kong beauty group that has been operating in the city since 2003. Millistrong has a strong brand portfolio of beauty care products on the one hand, and beauty services (including spas and medical beauty outlets) on the other, and enjoys a large and loyal customer base. The acquisition of Millistrong has immediately expanded the Group's market share in Hong Kong, and opened up new potential for further growth. At the same time, it is leading to new synergies between the various brands under the Group, including many opportunities for cross-selling and data-sharing.

# CEO's Statement

Despite the disruptions caused by COVID-19 in the year under review, our Group can look back at its achievements over the past twelve months with considerable satisfaction. Although our operations were hit by new pandemic restrictions in the first half of the year, especially over the busy Christmas and new year season, the more stable situation in the second half of the year marked a real turnaround. Product sales were steady and bookings for beauty services surged, leading to a very satisfactory whole-year performance in terms of our revenue and bottom line. However, our satisfaction regarding the year goes beyond simply registering a pleasing sales performance. More importantly, we have made some very significant steps forward in terms of our future growth and direction. These have set us up well for embracing new opportunities in the year ahead.

The impact of COVID-19 on Hong Kong has been tough, especially in the first half of the year, but there have been some silver linings for the Group. In particular, rental costs have come down considerably over the past twelve months. We have taken advantage of this both to reduce our overall rental costs as a percentage of revenue, and to negotiate leases for larger stores for planned new outlets. We have already lined up a number of new shops for opening in the year ahead, with each new shop set to occupy from 3,000 to 5,000 sq. ft. of floor space – a significant footprint indeed. These larger stores will enable us to serve more customers and will also give us a more dynamic market profile.

In a market where many players have proceeded slowly and with extreme caution over the past year due to uncertainties surrounding COVID-19, our Group has by contrast been highly proactive and forward-looking. We believe the market mood is increasingly positive and will become more so, and therefore now is the time to embrace opportunities to expand and grow in a cost-effective manner. For this reason, once we had weathered the initial COVID-19 storm, we looked closely at ways of speeding up our expansion plans, one of which was our milestone acquisition of the Millistrong Group.

Like Water Oasis, Millistrong is a longstanding and respected Hong Kong provider of beauty services as well as a distributor of beauty products, albeit on a smaller scale. Its brand profile and target customers therefore offer many synergies with our own Group, and we see this acquisition as a real opportunity to expand our market share and enhance our profile and standing in the industry in the foreseeable future.

One effect of the pandemic has been to place greater weight than ever on online shopping and online brand engagement. We have seen this in the steady rise in the sales made via online channels over the past year. Recognising the long-term importance of this trend, we have continued to pour considerable resources into making enhancements to our various online platforms, and attracting new customers to our online shopping channels. We have worked hard to enhance our membership programme, and have also been very active in promoting our products and services on the various social media platforms which are nowadays so important for consumer engagement.

As our business returns to almost pre-COVID levels, the Group is very confident about the quality of its offerings, its customer relationships, and its strategies for growth. We do believe that the way forward involves setting the pace, not following others, which is why we are constantly on the lookout for the latest and best new equipment and products for Hong Kong consumers. Our customers recognise the Group as innovative and industry-leading, and they trust the quality and the efficacy of what we offer. With such a reputation, opening new outlets and expanding our presence in Hong Kong and beyond is a natural next step. I look forward to further milestones and new successes in the year ahead.

**Alan Tam**
Executive Director and Chief Executive Officer

# Management Discussion and Analysis

Overall, the year ended 30th September, 2021 was a very positive one for the Group despite the ongoing impact of the COVID-19 pandemic throughout the year. The restoration in consumer confidence in the second half saw the Group's sales increase, especially in beauty service, and all the Group's service brands performed healthily. Consequently, the Group's consolidated revenue rose by 56.2% compared with its revenue for the year ended 30th September, 2020. This significant increase in sales reflects the major lift in customer usage and spending over the year, and the changing mood in Hong Kong as widespread consumer confidence has returned.

The consolidated gross profit ("GP") margin for the Group rose year on year, from 90.5% to 92.2%, as a result of an increasing predominance of higher-margin beauty services in the sales mix – with its beauty services moving to 84.9% of the sales mix as against 77.8% last year. Apart from the increased contribution on increased GP margin, the impressive sales increase mentioned above had driven the total profit for the year to a historical high level of HK$170.0 million, against HK$27.5 million for 2020.

The Group managed to keep its core costs as a percentage of revenue stable for the year. Advertising expenditure rose somewhat, from 1.7% to 2.2%. This rise reflected the Group's efforts to promote the new products and services that were launched in the year, the most important of which are described in the relevant brand sections below. However, rental costs fell as a percentage of revenue, from 22.5% last year to 16.3%, as the leasing environment eased and the Group was able to negotiate improved deals for its rental renewals. Staff costs as a percentage to revenue also fell, from 44.1% last year to 36.8% this year. As previously reported, this was due to periods of no-pay leave taken by staff in the first half of the year when anti-pandemic measures were in place, and the Employment Support Scheme subsidy received from the Government for qualified staff.

Although the total number of Water Oasis stores and outlets remained the same at the end of the year (61) as compared with that of last year, this disguises some significant changes in the make-up and distribution of individual stores. One major change involved the relocation of the Glycel outlet in the Festival Walk shopping mall. This store, originally of 1,600 sq. ft., moved in June 2021 to a very spacious 6,000 sq. ft. location in the same mall, which it now shares with a new Oasis Medical Centre. This has raised the number of Oasis Medical Centres operating in Hong Kong from 8 to 9. Elsewhere, in September 2021 the Glycel outlet in the Entertainment Building in Central Hong Kong was relocated from the 26th to the 17th floor, a move which involved almost doubling the floor area, from 2,440 sq. ft. to 4,637 sq. ft.. At the same time, the Oasis Beauty branch in Century Square was relocated to the 26th floor of the Entertainment Building to replace the Glycel outlet there, increasing its floor area from 1,408 sq. ft. to 2,440 sq. ft.. These changes have significantly expanded the Group's overall exposure in terms of store area.

Earlier, in November 2020, the Group opened a new Glycel outlet in The LOHAS, an upmarket shopping mall in the up-and-coming Tseung Kwan O area of eastern Hong Kong. Also in Tseung Kwan O, in July 2021 a substantial new Oasis Beauty outlet entered operation in the prestigious Park Central mall. A more recent new opening in November 2021, after the end of the year under review, was of a new Oasis Medical branch in The LOHAS in association with the existing Glycel store there.

These openings were offset in the year by the closures of three small stores. One was the Erno Laszlo outlet in Beauty Avenue in Langham Place, the result of Beauty Avenue deciding not to renew its lease with Langham Place upon its expiry. The other closures were of two small Glycel counters in underperforming Nuance duty-free locations, one in Hong Kong and one in Macau.

With its acquisition of Millistrong in June 2021, the Group has added a new network of outlets carrying Millistrong's beauty products and services. At year-end, these included 8 product retail stores for two brands in Hong Kong, one retail store in the PRC, 5 spa outlets in Hong Kong, and one medical beauty outlet.

Capex for the year more than doubled from last year's HK$23.3 million, rising to HK$51.4 million. This was mainly due to spending on the major new store openings described above, in Festival Walk, The LOHAS and Park Central. Significant resources were also devoted to purchasing the latest and best equipment for use in the Group's spa and medical beauty treatments.

The Group finished the year with a total staff count of 968, up from 775 last year. This rise included the acquisition of 152 new staff as part of the Millistrong acquisition, along with 41 new staff associated with new stores opening under Water Oasis.

The Group's bank balances and cash reserves as at 30th September, 2021 amounted to approximately HK$369.7 million. Its current ratio was 0.7:1 and its gearing ratio was 1.8%. The board of directors recommend the payment of a final dividend of 16.5 HK cents per share, making the full-year dividend 22.0 HK cents (2020: 6.0 HK cents) per share.

# Business Review
# Beauty Services
## OASIS Portfolio

The Group's Oasis portfolio brings together a number of closely related 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 various smaller supplementary services, namely Oasis Homme, Oasis Hair Spa, Oasis Mom and Oasis Florist.

In a rapidly recovering local environment, all the Group's Oasis beauty services brands performed strongly in the year, with all except for the Macau Oasis Beauty Store achieving double-digit growth year on year.

A new Salus Talent treatment was rolled out in Oasis Beauty from February 2021 onwards. This treatment uses non-contact electromagnetic field technology to generate a "turbo-current" cycle that stimulates the motor neurons of the muscles and provides a high-intensity workout, and is effective in achieving overhead muscle gain and fat loss, reducing muscle pain, and restoring elasticity and firmness. Another new treatment, launched in July, utilises Plasma Duet technology to rejuvenate the skin and enhance its powers of absorption.

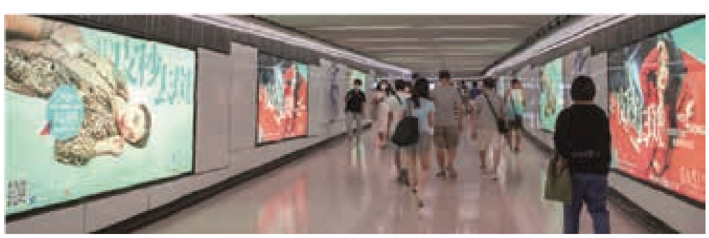
At year-end, the Group was operating 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme centres), up from 16 at the same time the previous year, along with one Oasis Beauty Store in Macau and three self-owned centres in the PRC. It was also operating three Oasis Spa outlets, and four Oasis Hair Spas.

## Oasis Medical Centre

The nine Oasis Medical Centres in Hong Kong at year-end (one up from the previous year) recovered strongly after a downturn induced by COVID-19 restrictions last year. The growing reputation of the centres and their continual influx of new and advanced medical beauty equipment and treatments have kept customers highly engaged with the brand, and generated steady and strong traffic especially in the second half of the year.

Oasis Medical Centre rolled out new generation Pico4Genius laser spot removal equipment in June 2021 with a series of advanced treatment options. The new technology is FDA-approved. In August it also introduced Oligio, a highly effective skin tightening treatment that uses unipolar RF to heat the skin and stimulate the renewal of collagen and elastin. This followed on from the Firmix 3D Wrinkle Remover equipment launched in March, utilising 4MHZ RF energy and a 3D rotation technique to lock the collagen network layer beneath the skin.





## Oasis Hair Spa

The Group launched its Oasis Hair Spa service in 2019, and has since expanded the number of locations to four. They are each located within larger Oasis Beauty centres. The Hair Spas offer advanced and high-end hair and scalp treatments that are a natural extension of the beauty treatments available for face and body provided by Oasis Beauty. Uptake has been good and results for the year very encouraging.


## Glycel

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales. Glycel's spa services performed well over the year, offset only slightly by a small drop in Glycel product sales. The brand was boosted by the opening of a major new Glycel outlet in The LOHAS in November 2020, together with the relocation of its Festival Walk outlet to a huge 6,000 sq. ft. space in June 2021 in conjunction with a new Oasis Medical Centre outlet there. The significant expansion of floorspace at these two locations has led to an uptick in custom and a high public profile for the two brands.

Product highlights for the year included a new Swiss Perfection Essence-in-Mask that blends properties of hydrating, detoxifying and whitening the cells and refining the pores for exceptional skin, while one treatment highlight was the launch of the Red Treasure Swiss Perfection Signature Facial, blending advanced bio-activation and manual activation to activate skin cells on the face.

As at 30th September, 2021 the Group was operating 18 Glycel outlets in Hong Kong, the same as the previous year. However, as mentioned above, these included two new or relocated outlets of considerably enhanced size.

# Product Sales

## Erno Laszlo

The closure of the Erno Laszlo outlet in Beauty Avenue in Langham Place in July 2021 reduced the number of Erno Laszlo outlets to four at year end. This resulted in a single-digit drop in product sales for the year compared with the previous one. The brand's products continue to be refreshed and expanded; for instance, in the year it launched VTM Micro-Essence, a restorative facial essence lotion scientifically formulated to treat dry, pigmented, and damaged skin.


## 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, while its self-owned DermaSynergy brand offers various skincare and related beauty products for consumers and is mostly sold at Oasis Medical Centres. Of the two, Eurobeauté is the predominant brand, with sales of some five times those of DermaSynergy. Eurobeauté experienced a small single-digit drop in sales for the year, while DermaSynergy products sold well in line with the strong results and expansion of Oasis Medical Centres.

Eurobeauté launched a new product line, Water Boost, in June 2021. Including an essence and cream, the Water Boost products use a 2-step formula to activate the self-generating water cycle and boost skin moisture.

## WaterJuicery

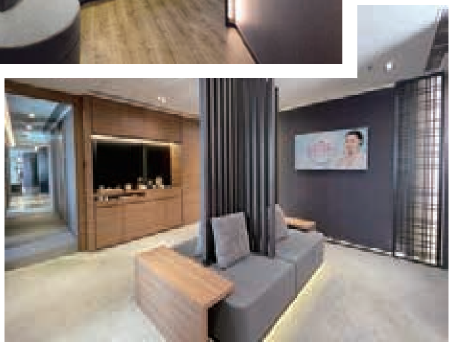
This brand under the Oasis product portfolio offers healthy, freshly squeezed fruit and vegetable juice drinks for consumers, which is ordered online and delivered to customers' doors. The brand turned in a very strong performance for the year, expanding its product range and attracting considerably more custom. It was boosted by the introduction of a new 'healing tea' product that has performed very well since its launch.

## H2O+


This longstanding US skincare brand is sold in two outlets in Hong Kong. One new product in the year was the Hydration Age Renew Collection, comprising an eye cream, hydro-serum, and night mask.

## Millistrong portfolio

The newly-acquired Millistrong Group includes two retail product brands, one with eight outlets and the other sold in a single outlet, along with a spa brand with five outlets and a single medical beauty location. These brands all have longstanding and loyal customer bases, and new products and services continued to be rolled out in the three months (July, August and September) after the Group completed its acquisition on 28th June, 2021 in which the Group has taken control. Results have been steady and the group sees the Millistrong acquisition as holding much potential for future development.



# Prospects

COVID-19 still affected the Group's operations in the first half of the year, but as the pandemic situation stabilised in the second half, the Group's performance improved steadily. At the local level, Hong Kong is now almost back to normal with COVID-19 well under control. This has set the scene for increased consumer confidence and rising spending by locals, especially as foreign travel remains difficult or impossible for most Hong Kong people.

Given this context, the Group believes that the prospects for steady ongoing business growth are strong. Added to this is the fact that, as a result of the pandemic, rental rates have declined and landlords are more prepared to negotiate than they have been for a long time. On the back of this, the Group has negotiated some excellent rental deals that are enabling it to expand its floor space, attract more customers, and expand its market share.

Meanwhile, the Group is well forward with plans to open new stores for its major brands. As mentioned above, in November this year, after year-end, it opened a large new Oasis Medical Centre in The LOHAS shopping mall. Glycel has also expanded its existing outlet in One Pacific Centre in December this year, increasing its service area by 3,374 sq. ft. to 4,852 sq. ft.. In addition, it has also secured a prime location of over 10,000 sq. ft. in Shatin's Royal Park Hotel which will open with a new Glycel outlet and an Oasis Medical Centre early in the new year. This prestigious and eye-catching flagship location will cement the Group's presence in this busy area. Other upcoming outlet openings planned for 2022 include a new space at the Gateway Arcade in Tsim Sha Tsui, where the existing Oasis Spa will be supplemented by a Glycel store and Oasis Medical Centre. Opening is tentatively scheduled for June 2022. Also in that month, the Group intends to open a much-expanded Oasis Medical Centre on an entire floor of the Soundwill Plaza in Causeway Bay, significantly increasing the space available for treatments.

In the belief that there is much scope for further expansion and growth and that now is the best time to be planning for the future, in June the Group acquired Millistrong. This well-established Hong Kong beauty product and services group has been operating in the city since 2003, and has built up a solid and loyal customer base. Besides, the acquisition of Millistrong offers the Group many opportunities to exploit synergies between the two groups' operations to further grow its reputation and market share. For example, the Group is able to tap into the extensive Millistrong database to promote its Oasis offerings, and vice versa. It has already begun to place some Oasis products for sale in Millistrong outlets. Other synergies between the two operations should enable the Group to further lower costs, in areas such as online marketing and the operation of media platforms and online shopping channels.

Online product sales have continued to rise in the past year, and the Group will continue to devote resources to its online sales platforms to keep this trend going in the coming year.

The Group's diligent efforts to move Water Oasis forward and plan for the future in a year when many businesses have been struggling to cope with the effects of the pandemic have reaped excellent rewards. As consumption of beauty products and services has normalised in recent months, the Group has been ready to embrace new customers with new products, refurbished stores, and the latest new equipment. It has generated a strong forward momentum, and has plans to continue this momentum into the coming year with new store openings and the introduction of an exciting range of new products and equipment. With a strong head-start in the post-COVID climate, the Group is looking forward to showcasing further achievements in the coming months.

# Directors and Senior Management

## DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. YU Kam Shui, Erastus**, aged 71, 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 44, 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 20 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 69, 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. In 1993, she entered into the cosmetic and skincare market. Ms. Yu 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 66, 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 73, 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 and Winox Holdings Limited. Prof. Wong was an independent non-executive director of BAIC Motor Corporation Limited and Li Bao Ge Group Limited from 2nd December, 2014 to 24th March, 2021 and from 16th June, 2016 to 1st January, 2022 respectively. All companies are listed on The Stock Exchange of Hong Kong Limited.

**Mr. WONG Chun Nam, Duffy**, B.B.S., J.P., aged 68, 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 66, 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 55, 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 Big 4 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 Accountants.

# Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this corporate governance report in the Company's annual report for the year ended 30th September, 2021.

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, 2021, except for certain deviations as more specifically described below.

| CG Code provisions | Description of deviations |
|---|---|
| A.1.3 | Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.<br><br>However, due to the delay in publication of the final results announcement of the Group for the year ended 30th September, 2020 (the "2020 Final Results"), the Company had failed to comply with such requirements with proper prior notice for the board meetings convened for approval of 2020 Final Results. |
| C.1.2 | The Company's management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each director of the Company to discharge their relevant duties.<br><br>Due to the delay in publication of 2020 Final Results, the management of the Company has failed to provide any management updates on a monthly basis during the six-month period ended 31st March, 2021. |

## 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, 2021 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. Tam Siu Kei, Prof. Wong Lung Tak, Patrick and Mr. Wong Chun Nam, Duffy 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 7 times during the year ended 30th September, 2021.

### 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, 2021 are set out in the table below:

| | Number of meeting(s) attended/held | | | | | | |
|---|---|---|---|---|---|---|---|
| Directors | Board | Audit Committee | Remuneration Committee | Investment Advisory Committee | Nomination Committee | Disclosure Committee | Annual General Meeting |
| **Executive directors** | | | | | | | |
| YU Kam Shui, Erastus | 6/7 | – | – | 3/3 | – | – | 1/1 |
| TAM Siu Kei | 7/7 | – | – | – | – | – | 1/1 |
| YU Lai Chu, Eileen | 5/7 | – | – | – | – | – | 1/1 |
| LAI Yin Ping | 6/7 | – | – | – | – | – | 1/1 |
| **Independent non-executive directors** | | | | | | | |
| WONG Lung Tak, Patrick | 7/7 | 3/3 | 1/1 | 3/3 | 1/1 | – | 1/1 |
| WONG Chun Nam, Duffy | 6/7 | 3/3 | 1/1 | 3/3 | 1/1 | – | 1/1 |
| WONG Chi Keung | 6/7 | 3/3 | 1/1 | 3/3 | 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, 2021, 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, 2021, 3 meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2020 with external auditor and also the activities of the Group's risk management and internal control functions and the interim results of 2021.

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, 2021, 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, 2021 is set out below:

| Remuneration band (HK$) | Number of individual |
|---|---|
| 2,000,001 – 3,000,000 | 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 16 to the consolidated financial statements as set out on pages 92 to 93 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, 2021, 3 Investment Advisory Committee meetings were 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, 2021, 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; and
- 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 recognises 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, 2021, 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 re-appointed as the independent auditor of the Company by the shareholders of the Company at last AGM.

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, 2021 is broken down below:

| | 2021<br>HK$'000 |
|---|---|
| Statutory audit | 1,859 |
| Non-audit services | 341 |
| Total | 2,200 |

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, 2021 are set out in the section "Independent Auditor's Report" on pages 52 to 59 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, 2021. 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, 2021.

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, 2021, 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, 2021.

## UPDATE ON DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- The monthly basic salary of Mr. Tam Siu Kei, an executive director and the CEO, has been revised to HK$370,000 with effect from 1st January, 2022.

- Prof. Wong Lung Tak, Patrick resigned as an independent non-executive director of BAIC Motor Corporation Limited and Li Bao Ge Group Limited, both companies listed on the Stock Exchange, with effect from 24th March, 2021 and 1st January, 2022 respectively.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

### The Group's Environmental, Social and Governance Commitment to Support Sustainable Development

The Board of the Group understands its responsibility and is committed to protecting and enhancing long-term shareholder value, leading and stewarding the Group with the aim to achieve long-term returns and generate a positive impact on the society and the environment. The global health and economic crisis resulting from the COVID-19 pandemic has intensified investors and corporate stakeholders' concern about their interest regarding environmental, social, and governance (the "ESG") matters. ESG are the preferred and important factors to measure a company's non-financial performance, as well as for company valuation, risk management and regulatory compliance. It is inevitable that the ESG performance of corporations is one of the key criteria to demonstrate companies' corporate social responsibility and their sustainability in the future. By assessing and evaluating 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 provided 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 was 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. The Group has made every effort to ensure consistency between the Chinese and English versions of The Report. However, in the event of any inconsistency, the English version shall prevail. The Report was reviewed and approved by the Board on 30th December 2021.

### Reporting Period

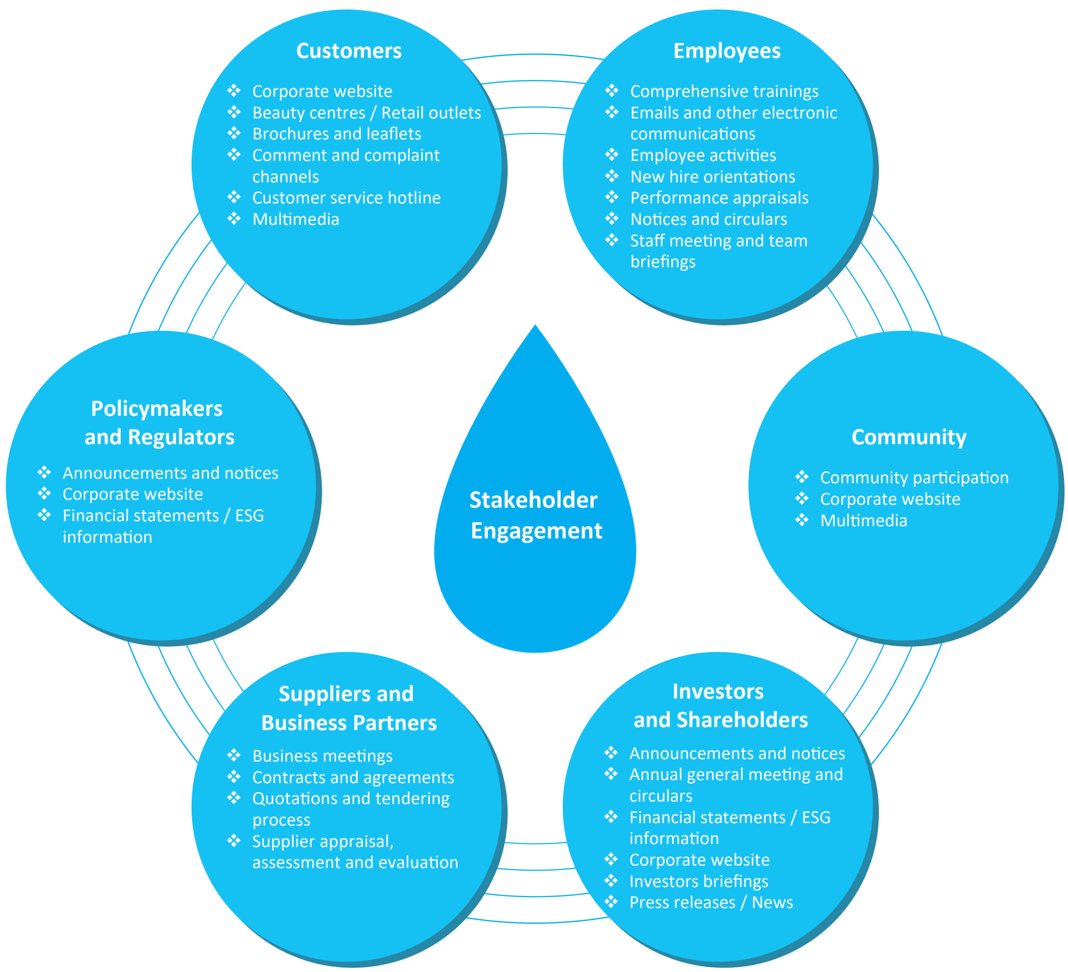
The Report illustrated and highlighted the environmental and social performance of the Group for the reporting period from 1st October, 2020 to 30th September, 2021 (the "Reporting Period") in Hong Kong.

### Reporting Framework

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

## Stakeholder Engagement

As a responsible business enterprise, it is essential for the Group to understand its stakeholders' expectation and concerns with regards to its business development strategies, risk management measures and internal control systems. To foster collaborative relationship with its stakeholders including policymakers, regulators, employees, investors, customers and suppliers, the Group actively communicated to stakeholders through various channels during 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 approaches were used 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 complied with all material aspects of applicable environmental protection laws and regulations in its operating locations and did 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, policies to promote efficient use of energy and natural resources to reduce emissions and cost were implemented. While the activities of the Group's businesses were mainly conducted indoor, minimal environmental impact was caused. During the provision of beauty services, electrical appliances were 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 12,889.99 square metres ("$m^2$") (2020: 9,973.99 $m^2$) and was accounted for 100% of its GHG emissions.

The following table highlights the carbon footprint of the Group:

| Scope | Sources of GHG emissions | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | GHG* emissions (in $tCO_2$-e) | | |
| 1 | Mobile – Gasoline | 58.51 | 56.47 | 56.51 |
| 2 | Purchased electricity | 764.49 | 958.27 | 1,032.64 |
| 3 | Disposal of paper waste | 32.24 | 32.98 | 54.20 |
| | Fresh water processing | 0.36 | 0.10 | 0.40 |
| | Sewage water processing | 0.17 | 0.05 | 0.16 |
| | **Total GHG* emissions** | 855.77 | 1,047.73 | 1,143.91 |
| | GHG* removals (paper recycled) | 8.44 | 7.58 | 10.10 |
| | Total GHG* emissions after removal | 847.33 | 1,040.15 | 1,133.81 |
| | **Carbon Emission intensity per $m^2$** | 0.066 | 0.111 | 0.123 |

* 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 847.33 tonnes of carbon dioxide equivalent ("$tCO_2$-e") (mainly carbon dioxide, methane and nitrous oxide) during the Reporting Period (2020: 1,040.15 $tCO_2$-e). The carbon emission intensity was 0.066 $tCO_2$-e/$m^2$ (2020: 0.111 $tCO_2$-e/$m^2$), a year-over-year reduction of 40.8%.

The Group has made great efforts in controlling its emissions and consumption of resources. Its energy conservation practices included 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 | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Emission Data (kilogram) ("kg") | | |
| Nitrogen Oxides ($NO_X$) | 8.09 | 7.90 | 7.72 |
| Sulphur Dioxide ($SO_2$) | 0.32 | 0.31 | 0.24 |
| Particulate Matter | 0.60 | 0.58 | 0.57 |

Scented products include aromatherapy and spa supplies, essential oils and fragrance used 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 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, 0.21 tonnes ("t") (2020: 0.16 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 wastes generated by the Group. A total of 6.72t of paper related printed matters (2020: 6.84 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. Another non-hazardous waste generated was the domestic waste for the beauty services and the packaging of used beauty products. The Group has engaged external service provider to collect the disposed packaging, the total volume collected during the Reporting Period was 68.00 t.

### Conservation of Resources

Sustainable use of resources is vital for the future. The Group always 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.

#### *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 6.8% 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 89.3% 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 services centres and retail outlets 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 1.76 t of wastepaper (2020: 1.58 t) was recycled which helped to remove 8.44 $tCO_2$-e (2020: 7.58 $tCO_2$-e) during the Reporting Period.

*Total Packaging Materials Used for Finished Products*

Various packaging materials were used for the packaging of related beauty products used for the beauty services. 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 55.00 t (2020: 33.33 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 following table summarised the consumption of different resources by the Group and their intensity.

| | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| **Scope** | **Sources of GHG emissions** | **Consumption** | **GHG* emissions (in $tCO_2$-e)** | **Intensity** | **Consumption** | **GHG* emissions (in $tCO_2$-e)** | **Intensity** |
| 1 | Mobile – gasoline | 21,606.30 L | 58.51 | 0.065 $tCO_2$-e/ employee | 20,854.85 L | 56.47 | 0.078 $tCO_2$-e/ employee |
| 2 | Purchased electricity | 1,463,107.00 kWh | 764.49 | 113.51 kWh/$m^2$ | 1,550,238.00 kWh | 958.27 | 165.38 kWh/$m^2$ |
| 3 | Disposal of paper waste | 6.72 t | 32.24 | 0.036 $tCO_2$-e/ employee | 6.84 t | 32.83 | 0.045 $tCO_2$-e/ employee |
| | Water processing | 851.00$m^3$ | 0.53 | 0.0005 $tCO_2$-e/ employee | 245.00$m^3$ | 0.15 | 0.0002 $tCO_2$-e/ employee |

### 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 were mainly taken place indoor; thus, minimal environmental impact was caused during the Reporting Period. The Group is committed to applying industry standard, complying with relevant environmental laws and regulations, using energy and resources efficiently, and reducing emissions and waste during operations.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment Policy and Compliance

Human resource is regarded as the Group's valuable assets as they play a vital role in connecting to customers during beauty services provision and retail operations. By employing and developing dedicated and talented people, the Group is able to provide personal and quality services to customers. The Group strictly complied with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and related employment regulations where the Group has operations. As at 30th September, 2021, the total workforce of the Group was 896 (2020: 725), the employee composition was summarised in the following table.

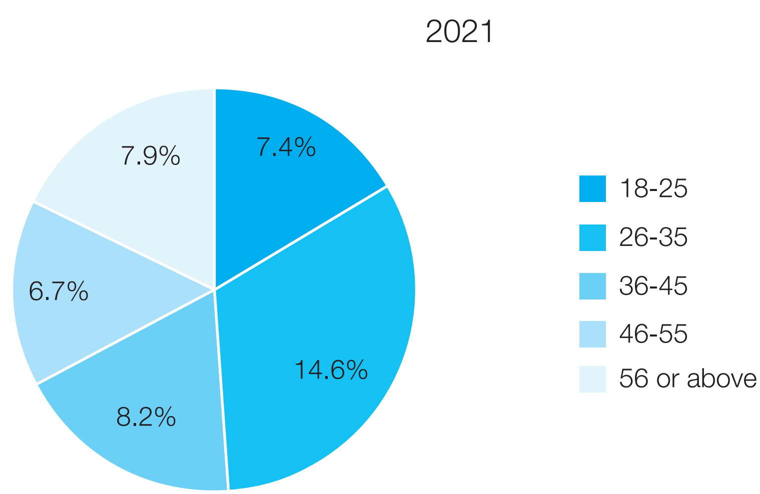
| Employee Structure | Female | Male | Full Time | Part Time | 18-25 | 26-35 | 36-45 | 46-55 | 56 and above |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | 94.9% | 5.1% | 95.1% | 4.9% | 9.5% | 32.5% | 32.0% | 15.6% | 10.4% |
| 2020 | 95.6% | 4.4% | 95.0% | 5.0% | 8.7% | 34.2% | 34.0% | 13.8% | 9.3% |
| 2019 | 95.5% | 4.5% | 95.9% | 4.1% | 10.7% | 35.2% | 31.9% | 12.9% | 9.3% |

To promote a high-quality and diverse workforce, the Group provided equal opportunities to its employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. The Group's staff handbook was 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 action treatment and discrimination at work.

Through the years of experience in the industry, the Group understood 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 provided 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 were 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 continued to be challenging and seriously competitive in the industry during the Reporting Period. The turnover rate of the two younger age groups were higher compare to the last two reporting periods. The Group has been actively engaged in communicating to employees during the pandemic period to help employees to overcome the difficult times both mentally and professionally. By nurturing and nourishing physical and internal health and beauty culture among employees, the Group strived to build and maintain a positive, happy and sustainable workforce. To encourage employee engagement, the social media was used for better internal communication and the internal newsletter "奧思匯聚" was developed to cultivate sense of belonging, promote work-life balance, and strengthen the bond between employees.

The following chart and table highlighted the annual turnover rate of the Group:




| | 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% |

### Occupational Health and Safety Policy and Compliance

The Group cares about the well-being of its employees and is committed to providing a safe, healthy 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 were developed and provided to the employees periodically. The operating procedures of the beauty equipment were provided through trainings to promote and enhance safety awareness and practices. By communicating workplace safety guidelines through trainings, safety briefings and notices, employees were able to identify, evaluate and control health and safety hazard.

The impact of the COVID-19 pandemic has been affecting the Group and its employees by means of more stringent infection prevention measures to protect its employees and customers during the Reporting Period. The Group complied strictly with the safety regulations as required by the government to prevent the spreading of the virus. The Group's human resources department provided abundant information to update its employees and encouraged them to take the vaccine for protection. The Group cared about the health of its employees by closely monitoring their wellbeing, providing sufficient surgical masks and alcohol-based hand rub in its headquarters, beauty centres and retail outlets. The Group also arranged its employees to conduct business meetings online to prevent the spreading of the pandemic. Employees were advised to wear masks, maintain social distancing 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 also established a response mechanism in reacting 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 to health and safety related laws and regulations.

| Occupational Health and Safety Data | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of work injury cases | 3 | 1 | 7 |
| Number of work-related fatalities | 0 | 0 | 0 |
| Lost days due to work injury | 13.5 | 123 | 227.5 |
| Work injury rate | 0.03 | 1.38 | 6.62 |

### Human Capital Development and Training Policy

Excelling in the beauty industry is always challenging as customers are often more demanding and critical. Companies that sell beauty services and products have to regularly come up with new ideas to stand out among the competition and attract new customers. Employees like consultant and beautician must be professional and should have complete knowledge of the services and products since they are in direct contact with customers that require personal advice. Therefore, the Group understood that keeping customers satisfied must rely upon its employees, and it is important to develop and empower employees to deliver exceptional customer service to customers. To strengthen employees' skillset and professionalism, comprehensive training programs were developed and provided to ensure they received the relevant trainings to excel on their jobs and progress on their career. A wide range of skills trainings ranging from people management, time management, communications, brand and product knowledge, equipment operating procedures, sales technique were provided for employees' personal growth both professionally and intellectually.

The following table listed the total training hours and average training hours per employee.

| Training Hours | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total (hours) | 3,423.0 | 3,356.5 | 10,194.0 |
| Average (per employee) (hours) | 3.8 | 4.6 | 13.5 |

### Labour Practices and Compliance

The Group complied with the applicable laws and regulations relating to employment, child and forced labour practices in the places where it has operations. Recruitment of employees was strictly abided by the hiring process and guidelines administered by the human resources department so that suitable talents were 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

To ensure the quality of the supplies that are used during beauty services are of high quality and safe for its customers, the Group engaged several suppliers across its supply chain for the procurement of beauty products, beauty equipment and utensils. The Group's procurement management system was 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 sourcing of latest beauty equipment to suit different customer needs 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 were 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 has established 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, United Kingdom, Taiwan, PRC and Hong Kong were appointed, a total of 55 suppliers (2020: 42) 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 concerned of the safety and quality of beauty products and services; the Group's service and product quality are guaranteed by its extensive experience in the industry. A product recall policy has been established to ensure product safety and customer protection. Designated websites and hotlines of different services and products were provided 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. During the Reporting Period, as some beauty treatments required the use of beauty equipment, the equipment was maintained regularly by respective manufacturers to ensure safety and quality performance. Furthermore, refresher trainings and tests were conducted to ensure employees' quality performance. New and advanced beauty equipment were procured to meet customer needs and improve customer satisfaction. Considerable efforts were made on redefining service flow and upgrading customer experience to ensure personalised and attentive services were provided.

Through the collaboration with selected manufacturers and suppliers, the Group was able to ensure and maintain the quality of its products and services. The Group performed 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 regarding the Group's 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 complied with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) by ensuring the highest standard of information security and protection. Employees are prohibited from disclosing the Group's business information to unauthorised parties. During the Reporting Period, as stipulated in the Group's code of conduct on data confidentiality, all personal and business data collected during the Group's business activities were organised and secured properly. Computers and servers were protected from access passwords, employees were 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.

### 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 complied 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 was 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 supporting 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 instructions and guidelines to remind 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 INVESTMENT

### Community Care and Charitable Activities

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 encouraged employees to participate in charitable activities with their own abilities in their spare time. 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 in the past two years has had a significant impact on the beauty industry due to the social distancing restrictions, the fall in demand among consumers, and the dramatic change in worldwide customers' purchasing behaviour. The tradition of the beauty industry relying on interactive purchasing experience will be changed by the evolution of big data, online purchasing trend, and virtual reality experience. The Group has been involved in developing its business to cope with the change in customer needs for the future. 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. Despite the vigorous challenges in the foreseeable future, the Group will strive its best to adapt to the various trends and continue to provide reputable products and services to keep up with the new information and technology era, and to promote personalised customer experience and satisfaction to expand and flourish sustainably in the industry.

## 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<br>Carbon Footprint – Greenhouse Gas Emissions<br>Air Emission<br>Hazardous and Non-hazardous Waste Disposal |
| A2: Use of Resources | Conservation of Resources |
| A3. The Environment and Natural Resources | Emissions Policy and Compliance<br>Conservation of Resources<br>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<br>Manufacturers and Suppliers' Engagement |
| B6: Product Responsibility | Product Responsibility and Quality Assurance Process<br>Data Protection and Privacy Policy<br>Protecting Intellectual Property Rights |
| B7: Anti-corruption | Anti-corruption Policy<br>Conflict of Interest Policy<br>Preventive Measures and Whistle-blowing Procedures |
| ***Community*** | |
| B8: Community Investment | Community Care and Charitable Activities<br>The Sustainable Future |

# 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, 2021.

## 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. During the financial year, the Group has acquired a beauty service group called Millistrong which also engaged in the businesses of beauty services and retail distribution of beauty products.

Details of the Company's principal subsidiaries as at 30th September, 2021 are set out in note 41 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, 2021 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 13, 28 to 40 and 121 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 minimise 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 28 to 40 of this annual report.

As far as the Board and senior management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year ended 30th September, 2021, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

The Board has not identified any important events affecting the Group that have occurred.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 60 to 61.

The directors have recommended a final dividend of 16.5 HK cents per share for the year ended 30th September, 2021 payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 25th February, 2022. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on Monday, 14th March, 2022.

## SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30th September, 2021 are set out in note 31 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 64.

## INVESTMENT PROPERTIES

The values of the investment properties as at 30th September, 2021 were measured using the fair value model, details of which are set out in note 19 to the consolidated financial statements.

## PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group are set out in note 20 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 121.

## 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. Tam Siu Kei, Prof. Wong Lung Tak, Patrick and Mr. Wong Chun Nam, Duffy will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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, 2021, 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 | 10,166,000 ordinary | – | – | 10,166,000 ordinary | 1.49% |
| Yu Lai Chu, Eileen | The Company | Beneficial owner and interest of controlled corporations | 11,340,000 ordinary(1) | – | 155,333,760 ordinary(1) | 166,673,760 ordinary | 24.49% |
| | Water Oasis Company Limited | Beneficial owner | 165,000 non-voting deferred | – | – | 165,000 non-voting deferred | – |
| Lai Yin Ping | The Company | Interest of spouse | – | 10,166,000 ordinary(2) | – | 10,166,000 ordinary | 1.49% |
| Tam Siu Kei | The Company | Beneficial owner and interest of spouse | 6,238,000 ordinary | 2,294,000 ordinary(3) | – | 8,532,000 ordinary | 1.25% |
| Wong Chun Nam, Duffy | The Company | Beneficial owner | 600,000 ordinary | – | – | 600,000 ordinary | 0.09% |
| Wong Lung Tak, Patrick | The Company | Beneficial owner | 494,000 ordinary | – | – | 494,000 ordinary | 0.07% |

## 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) 11,340,000 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, 2021, 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 32 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, 2021.

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

As at 30th September, 2021, 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 OF THE COMPANY

| 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 | 40,736,880 | 5.99% |
| 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 | 118,403,760 | 17.40% |

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, 2021, no other corporation which or person who (other than a director or 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, 2021.

## 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, 2021 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, 2021 are set out in note 42 to the consolidated financial statements.

## DISCLOSEABLE TRANSACTION

On 29th March, 2021, Water Oasis Group (BVI) Limited as the purchaser (a wholly-owned subsidiary of the Company), Billion Profit Investments Limited as the vendor and the guarantors (Ng Wing Mee Denise, Chan Sau Kan Justina and Cheng Li Mei) entered into a sale and purchase agreement, pursuant to which the purchaser agreed to acquire and the vendor agreed to sell the entire issued share capital of Millistrong Holdings Limited (a company incorporated in Hong Kong with limited liability) at the base consideration of HK$45,000,000, subject to conditions and adjustments.

The total consideration was determined after arm's length negotiations between the purchaser and the vendor taking into consideration (i) the historical price-to-earnings ratio of 3.2x, based on the base consideration and the average net profit after tax for the financial years of 2017 and 2018 of Millistrong Holdings Limited and its subsidiaries (the "Target Group") generated pre-social movements in Hong Kong and pre-COVID-19; (ii) the price-to-earnings multiples of comparable companies listed on the Stock Exchange; and (iii) the business prospects of the Target Group amid probable reversion to a normal economy in Hong Kong in 2022. The Board considers that the base consideration together with the adjustment is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

The Target Group is engaged in two major businesses, (i) provision of spa, aesthetic and beauty services in Hong Kong (the "Service Business"); and (ii) sales of the distributed products in the PRC, Hong Kong and Macau (the "Product Business").

For the Service Business, the Target Group offers (i) traditional beauty treatments including treatments with focus on individual parts of the body such as facial treatments, neck treatments, eye treatments, hand treatments and body treatments, as well as spa and massage services, and (ii) medical beauty services. It operates six spa centres under "FRÉDÉRIQUE", "Medic i-Laser" and "AesMedic" and one shop under "32°C".

The Target Group is authorised to carry out the Product Business by selling the distributed products under the distribution agreements (the distribution agreements in respect of the Target Group's right to distribute the distributed products entered into between the Target Group and a Japanese company, subject to periodic renewal) in Hong Kong, Macau and the PRC. The distributed products cover mainly skin care, body care and hair care.

The acquisition was a strategic move to expand active customer base, acquire a pool of skilled professionals, and increase the number of outlets. Furthermore, after the Group and the Target Group integrate their operations, it was expected that the acquisition could create synergy, such as cost saving, marketing and cross selling.

All the conditions precedent were fulfilled and the completion took place on 28th June, 2021.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition was above 5% but less than 25%, the acquisition constitutes a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The details of acquisition was disclosed in the announcement dated 29th March, 2021.

Save for above acquisition, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 30th September, 2021.

## 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, 2021.

## DONATIONS

No charitable and other donations were made by the Group for the year ended 30th September, 2021 (2020: HK$Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2021, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 61.1% and 24.8% of the Group's total purchase respectively, whereas the aggregate turnover attributable to the Group's five largest customers was less than 1.7% of the Group's total turnover.

At all times during the year ended 30th September, 2021, 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 shares) had an interest in any of the Group's five largest customers or suppliers.

## DISTRIBUTABLE RESERVES

As at 30th September, 2021, the distributable reserves of the Company amounted to approximately HK$136.6 million under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (2020: HK$10.0 million).

## DIVIDEND POLICY

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

Under the applicable laws of the Cayman Islands and the Articles of Association, 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, 2021 amounted to approximately HK$369.7 million (2020: HK$418.5 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2021, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$358.8 million (2020: HK$223.1 million), was approximately 1.8% (2020: 4.4%). Details of the secured mortgage loan are set out in note 30 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, 2021.

## CAPITAL COMMITMENTS

The Group had capital commitments of HK$3.7 million as at 30th September, 2021 (2020: HK$0.3 million).

## EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2021, the Group employed 968 staff (as at 30th September, 2020: 775 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, 2021.

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, 2021.

## 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 AGREEMENT

Other than the share option scheme of the Company as disclosed above, no equity-linked agreement 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, 2021.

## 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, 2021.

## 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, 2021 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, 30th December, 2021

# Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

**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 60 to 120, which comprise the consolidated statement of financial position as at 30th September, 2021, 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, 2021, 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**

***Preliminary purchase price allocation for business combinations***

As disclosed in notes 17, 18 and 35 to the consolidated financial statements, the Group had business combination during the year ended 30th September, 2021. Management has identified the assets and liabilities of the acquired companies at their acquisition date, based on which, management performed a preliminary purchase price allocation for the acquisition.

Significant judgements and estimates were involved in the estimated fair value assessment of identifiable assets and liabilities. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation.

We consider this area a key audit matter given the magnitude of the preliminary purchase price allocation for the business combinations, and the significant judgements and estimates involved in the estimated fair value assessment of the identifiable assets and liabilities and the recognition of goodwill arising from the business combinations.

***Our response:***

Our key audit procedures included:

- inspecting the acquisition agreements in connection with the acquisitions and other relevant documents to identify the key transaction terms and conditions, including the purchase consideration and the completion date which are relevant in considering the accounting treatment for the acquisitions;

- assessing the competency, capability and objectivity of the external valuer engaged by management;

- obtaining the valuation reports in relation to the preliminary purchase price allocation for the acquisitions, and engaged our in-house valuation experts to assess the appropriateness of the valuation methodologies adopted by management. We challenged and assessed the reasonableness of the key assumptions used in the valuation with the involvement of our in-house valuation experts; and

- checking the mathematical accuracy of the calculations of the estimated fair value of the identifiable assets and liabilities and goodwill.

# Independent Auditor's Report (Continued)

**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, 2021, the carrying amount of contract liabilities amounted to HK$590,535,000. During the year ended 30th September, 2021, revenue recognised from treatment services amounted to HK$704,724,000.

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 prepaid 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.

## 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 17 and 18 to the consolidated financial statements, the carrying amount of trademarks and goodwill is HK$72,644,000 and HK$29,673,000 respectively as at 30th September, 2021. 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 units ("CGUs") to which the trademarks and goodwill had been allocated.

In estimating the value in use of the CGUs, key assumptions used by the management included the discount rate, budgeted sales and long-term growth rates 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 discount rate, budgeted sales and long-term growth rates through assessing the CGUs'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 rates 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 19 to the consolidated financial statements, the carrying amount of investment properties is HK$227,915,000 as at 30th September, 2021. 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 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, 30th December, 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Notes | FOR THE YEAR ENDED 30TH SEPTEMBER, 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Revenue | 6 | **829,935** | 531,374 |
| Purchases and changes in inventories of finished goods | | **(64,344)** | (50,355) |
| Other income | 7 | **19,792** | 28,398 |
| Other gains or losses | 8 | **(130)** | (7,720) |
| Staff costs | 15 | **(305,258)** | (234,487) |
| Depreciation | | **(133,226)** | (105,749) |
| Finance costs | 9 | **(6,539)** | (8,124) |
| Other expenses | 10 | **(130,389)** | (116,751) |
| Profit before taxation | | **209,841** | 36,586 |
| Taxation | 11 | **(39,803)** | (9,126) |
| Profit for the year | 12 | **170,038** | 27,460 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **170,340** | 27,736 |
| Non-controlling interests | | **(302)** | (276) |
| | | **170,038** | 27,460 |

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

| | Notes | FOR THE YEAR ENDED 30TH SEPTEMBER, 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Profit for the year | | **170,038** | 27,460 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **3,048** | 1,342 |
| Total comprehensive income for the year | | **173,086** | 28,802 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **173,413** | 29,092 |
| Non-controlling interests | | **(327)** | (290) |
| | | **173,086** | 28,802 |
| Earnings per share | | | |
| Basic | 13 | **25.0 HK cents** | 4.1 HK cents |
| Diluted | 13 | **25.0 HK cents** | 4.1 HK cents |

# Consolidated Statement of Financial Position

| | Notes | AS AT 30TH SEPTEMBER, 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 17 | **79,148** | 59,075 |
| Goodwill | 18 | **29,673** | 3,012 |
| Investment properties | 19 | **227,915** | 227,188 |
| Property and equipment | 20 | **80,048** | 51,873 |
| Right-of-use assets | 21 | **296,480** | 242,374 |
| Rental deposits | 22 | **38,704** | 27,389 |
| Deferred tax assets | 34 | **6,873** | 7,792 |
| | | **758,841** | 618,703 |
| **Current assets** | | | |
| Inventories | 23 | **65,245** | 48,494 |
| Trade receivables | 24 | **27,611** | 19,766 |
| Contract costs | 25 | **49,217** | 57,815 |
| Financial assets at fair value through profit or loss | 26 | **738** | – |
| Prepayments | | **36,031** | 7,624 |
| Other deposits and receivables | | **49,085** | 21,074 |
| Tax recoverable | | **1,786** | 2,597 |
| Bank balances and cash | 27 | **369,662** | 418,516 |
| | | **599,375** | 575,886 |
| **Current liabilities** | | | |
| Trade payables | 28 | **3,907** | 4,778 |
| Accruals and other payables | | **129,399** | 91,566 |
| Contract liabilities | 29 | **590,535** | 649,479 |
| Secured mortgage loan | 30 | **3,407** | 3,334 |
| Lease liabilities | 21 | **103,869** | 99,285 |
| Tax payable | | **19,976** | 4,981 |
| | | **851,093** | 853,423 |
| **Net current liabilities** | | **(251,718)** | (277,537) |
| **Total assets less current liabilities** | | **507,123** | 341,166 |

# Consolidated Statement of Financial Position
## (Continued)

| | Notes | AS AT 30TH SEPTEMBER, 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 31 | **68,055** | 68,055 |
| Reserves | | **284,366** | 148,383 |
| **Equity attributable to owners of the Company** | | **352,421** | 216,438 |
| **Non-controlling interests** | | **6,344** | 6,671 |
| **Total equity** | | **358,765** | 223,109 |
| **Non-current liabilities** | | | |
| Secured mortgage loan | 30 | **3,187** | 6,594 |
| Lease liabilities | 21 | **126,122** | 95,826 |
| Deferred tax liabilities | 34 | **19,049** | 15,637 |
| | | **148,358** | 118,057 |
| | | **507,123** | 341,166 |

The consolidated financial statements on pages 60 to 120 were approved and authorised for issue by the Board of Directors on 30th December, 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 | Other reserve[(c)] HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1st October, 2019 | 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 |
| **Profit (loss) for the year** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **170,340** | **170,340** | **(302)** | **170,038** |
| **Exchange differences arising on translation of foreign operations** | **–** | **–** | **3,073** | **–** | **–** | **–** | **–** | **–** | **3,073** | **(25)** | **3,048** |
| **Total comprehensive income (expense) for the year** | **–** | **–** | **3,073** | **–** | **–** | **–** | **–** | **170,340** | **173,413** | **(327)** | **173,086** |
| **2021 interim dividend paid** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(37,430)** | **(37,430)** | **–** | **(37,430)** |
| **At 30th September, 2021** | **68,055** | **1,153** | **25,649** | **(1,766)** | **450** | **1,797** | **(589)** | **257,672** | **352,421** | **6,344** | **358,765** |

(a) The capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 23rd January, 2002 and the nominal value of the Company's shares issued in exchange thereof.

(b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in the PRC are required to maintain a statutory fund reserve which is non-distributable. Transfer to this reserve fund are made out of profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in PRC.

(c) During the year ended 30th September, 2015, the Group acquired an additional 25% equity interests of a non-wholly owned subsidiary 上海奧薇化妝品商貿有限公司("奧薇"). 奧薇 became a wholly-owned subsidiary of the Group after this acquisition. The difference between the consideration paid and the carrying value of the interest acquired amounting to HK$589,000 was charged to other reserve.

# Consolidated Statement of Cash Flows

| | FOR THE YEAR ENDED 30TH SEPTEMBER, | |
|---|---|---|
| | 2021 HK$'000 | 2020 HK$'000 |
| **Operating activities** | | |
| Profit before taxation | **209,841** | 36,586 |
| Adjustments for: | | |
| Amortisation of intangible assets | **1,614** | 101 |
| Depreciation | **133,226** | 105,749 |
| (Gain) loss on fair value change of investment properties | **(727)** | 6,778 |
| Loss on fair value change of financial assets at fair value through profit or loss | **588** | – |
| Interest expenses on secured mortgage loan | **180** | 254 |
| Interest expenses on lease liabilities | **6,330** | 7,870 |
| Interest income on bank deposits | **(1,822)** | (3,496) |
| Interest income on rental deposits | **(1,024)** | (903) |
| Rent concessions | **(6,688)** | (13,172) |
| Net loss on disposal/write-off of property and equipment | **847** | 452 |
| Operating cash flows before movements in working capital | **342,365** | 140,219 |
| Increase in inventories | **(7,108)** | (9,293) |
| (Increase) decrease in trade receivables | **(4,092)** | 10,052 |
| Increase in rental deposits, prepayments, other deposits and receivables | **(60,265)** | (9,270) |
| Decrease (increase) in contract costs | **12,184** | (7,709) |
| (Decrease) increase in contract liabilities | **(116,927)** | 103,853 |
| Decrease in trade payables | **(1,014)** | (2,544) |
| (Decrease) increase in accruals and other payables | **(22,298)** | 10,921 |
| Purchase of financial assets at fair value through profit or loss | **(1,326)** | – |
| Cash generated from operations | **141,519** | 236,229 |
| Hong Kong Profits Tax paid | **(11,856)** | (23,028) |
| The PRC Enterprise Income Tax paid | **(7,909)** | (5,604) |
| The PRC Enterprise Income Tax refunded | **–** | 74 |
| **Net cash from operating activities** | **121,754** | 207,671 |

# Consolidated Statement of Cash Flows
## (Continued)

| | Note | FOR THE YEAR ENDED 30TH SEPTEMBER, 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Investing activities | | | |
| Purchase of property and equipment | | **(51,353)** | (23,321) |
| Acquisition of subsidiaries | 35 | **17,781** | – |
| Interest received on bank deposits | | **1,778** | 3,378 |
| Proceeds on disposal of property and equipment | | **126** | 126 |
| Additions in intangible assets | | **(71)** | (133) |
| Net cash used in investing activities | | **(31,739)** | (19,950) |
| Financing activities | | | |
| Dividends paid | | **(37,430)** | (88,472) |
| Repayment of principal portion of lease liabilities | | **(94,812)** | (57,576) |
| Repayment of interest portion of lease liabilities | | **(6,318)** | (7,865) |
| Repayment of secured mortgage loan | | **(3,334)** | (3,531) |
| Interest paid on secured mortgage loan | | **(180)** | (279) |
| Net cash used in financing activities | | **(142,074)** | (157,723) |
| Net (decrease) increase in cash and cash equivalents | | **(52,059)** | 29,998 |
| Cash and cash equivalents at beginning of the year | | **418,516** | 385,580 |
| Effect of foreign exchange rate changes | | **3,205** | 2,938 |
| Cash and cash equivalents at end of the year, represented by bank balances and cash | | **369,662** | 418,516 |

# 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, 2021, 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:

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 39, HKFRS 7, HKFRS 9 | Interest Rate Benchmark Reform |
| Conceptual Framework for Financial Reporting 2018 | Conceptual Framework for Financial Reporting (Revised) |
| Amendments to References to the Conceptual Framework in HKFRS Standards | |

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)

### 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 amendment to HKFRS 16 as described below.

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[1] |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30th June, 2021[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[3] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[4] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[4] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4] |
| HKFRS 17 | Insurance Contracts and the related amendments[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |

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

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

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

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

*Amendment to HKFRS 16 - Covid-19-Related Rent Concessions beyond 30th June, 2021*

Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1st October, 2020 and applied the practical expedient during the period ended 30th September, 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30th June, 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$107,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 30th September, 2021 due to this early adoption.

## 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 and investment in listed shares 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, 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*

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.

### 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.

Customer relationship and distributor agreement with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives 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.

Impairment on Non-financial assets, 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 non-financial assets, 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 non-financial assets 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 Non-financial assets, 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.

A financial asset is as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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 32.

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

*(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 (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.

## 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.

*Acquisition of companies*

During the year ended 30th September, 2021, the Group had acquired Millistrong (note 35) in accordance with HKFRS 10. All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the acquiree. The principle of control sets out the following three elements of control:

(a) power over the acquiree;

(b) exposure, or rights, to variable returns from involvement with the acquiree; and

(c) the ability to use power over the acquiree to affect the amount of the investor's returns.

In conducting the assessment to determine the consolidated scope, the directors consider whether the Group has power to remove or control over the party having the ability to direct the relevant activities of the acquiree based on the facts and circumstances and whether the Group has material exposure to variable returns of the acquiree or not. The Group will consolidate the acquiree in the consolidated financial statements if control is existed at the acquisition date. The Company has obtained legal opinion from qualified lawyer that all conditions precedents were met under the sale and purchase agreement and management has made the judgement that the Group has controls over the acquiree and the rights to consolidate Millistrong at the acquisition date in the Group's consolidated financial statements.

Detailed accounting policy on assessment of control are set out in "basis of consolidation" in note 4.

### 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, 2021, the carrying amount of trademarks and goodwill is HK$72,644,000 (2020: HK$58,896,000) and HK$29,673,000 (2020: HK$3,012,000) respectively. Details of the recoverable amount calculation are disclosed in notes 17 and 18.

## 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 40 and note 24 respectively.

*Valuation of investment properties*

Investment properties were carried at its fair value in the consolidated statement of financial position as at 30th September, 2021 and 2020. Details of which are disclosed in note 19 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, 2021, the carrying amount of investment properties is HK$227,915,000 (2020: HK$227,188,000), with an increase in fair value of HK$727,000 (2020: decrease of HK$6,778,000) recognised in profit or loss for the year ended 30th September, 2021.

*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 non-financial assets other than goodwill*

Non-financial 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 | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Time of revenue recognition** | | | | | | |
| At a point of time | **125,211** | 117,950 | **–** | – | **125,211** | 117,950 |
| Over time | **–** | – | **704,724** | 413,424 | **704,724** | 413,424 |
| | **125,211** | 117,950 | **704,724** | 413,424 | **829,935** | 531,374 |

(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 | |
|---|---|---|---|---|---|---|---|---|
| | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 |
| Sales to external customers | 125,211 | 117,950 | 704,724 | 413,424 | – | – | 829,935 | 531,374 |
| Inter-segment sales | 20,160 | 20,486 | – | – | (20,160) | (20,486) | – | – |
| Total | 145,371 | 138,436 | 704,724 | 413,424 | (20,160) | (20,486) | 829,935 | 531,374 |
| Segment results | 15,840 | 18,353 | 257,629 | 79,481 | – | – | 273,469 | 97,834 |
| Other income | | | | | | | 19,792 | 28,398 |
| Other gains or losses | | | | | | | (130) | (7,720) |
| Finance costs | | | | | | | (6,539) | (8,124) |
| Central administrative costs | | | | | | | (76,751) | (73,802) |
| Profit before taxation | | | | | | | 209,841 | 36,586 |

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 | |
|---|---|---|---|---|---|---|
| | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 |
| **OTHER SEGMENT INFORMATION** | | | | | | |
| Depreciation of property and equipment | 3,896 | 4,921 | 24,275 | 17,310 | 28,171 | 22,231 |
| Amortisation of intangible assets | 1,441 | 101 | 173 | – | 1,614 | 101 |

## 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 | |
|---|---|---|---|---|
| | **2021 HK$'000** | 2020 HK$'000 | **2021 HK$'000** | 2020 HK$'000 |
| Hong Kong and Macau | **774,145** | 498,329 | **642,469** | 541,987 |
| The PRC | **55,790** | 33,045 | **7,182** | 7,016 |
| | **829,935** | 531,374 | **649,651** | 549,003 |

### Information about major customers

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

## 7. OTHER INCOME

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Rent concessions | **6,688** | 13,172 |
| Subsidies under the Anti-epidemic Fund of the Hong Kong Government | **5,150** | 5,340 |
| Interest income on bank deposits | **1,822** | 3,496 |
| Rental income | **3,437** | 3,448 |
| PRC Output Value Added Tax exemption | **1,076** | 1,568 |
| Others | **1,619** | 1,374 |
| | **19,792** | 28,398 |

## 8. OTHER GAINS OR LOSSES

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Gain (loss) on fair value change of investment properties | **727** | (6,778) |
| Loss on fair value change of financial assets at fair value through profit or loss | **(588)** | – |
| Net loss on disposal/write-off of property and equipment | **(847)** | (452) |
| Net exchange gain (loss) | **204** | (490) |
| Others | **374** | – |
| | **(130)** | (7,720) |

## 9. FINANCE COSTS

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Interest expenses on secured mortgage loan | **180** | 254 |
| Interest expenses on lease liabilities | **6,330** | 7,870 |
| Other interest expenses | **29** | – |
| | **6,539** | 8,124 |

## 10. OTHER EXPENSES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Auditor's remuneration | **1,859** | 1,360 |
| Amortisation of intangible assets | **1,614** | 101 |
| Bank charges | **28,806** | 26,976 |
| Marketing expenses | **21,996** | 11,111 |
| Expenses relating to leases of | | |
| – Short-term lease expense | **4,892** | 19,983 |
| – Low-value lease expense | **638** | 469 |
| – Variable lease payments not included in the measurement of lease liabilities | **3,765** | 2,299 |
| Building management fees, government rent and rates | **22,061** | 19,619 |
| Cleaning and laundry | **5,402** | 4,734 |
| Transportation, storage and delivery | **5,908** | 5,659 |
| Printing, stationery and administration | **8,330** | 7,914 |
| Utilities and telecommunications | **3,684** | 2,986 |
| Others | **21,434** | 13,540 |
| | **130,389** | 116,751 |

## 11. TAXATION

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **29,065** | (1,443) |
| The PRC Enterprise Income Tax ("EIT") | **6,717** | 6,475 |
| Over provision in prior years | **(395)** | (365) |
| | **35,387** | 4,667 |
| Deferred taxation (note 34) | **4,416** | 4,459 |
| | **39,803** | 9,126 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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.

## 11. TAXATION (Continued)

The PRC EIT was calculated at the statutory income tax rate of 25% (2020: 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 34.

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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Profit before taxation | **209,841** | 36,586 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%) | **34,624** | 6,037 |
| Effect of different tax rates applied in other jurisdictions | **2,444** | 1,469 |
| Tax effect of income not taxable for tax purpose | **(3,538)** | (5,708) |
| Tax effect of expenses not deductible for tax purpose | **2,202** | 2,512 |
| Utilisation of tax losses previously not recognised | **(1,235)** | (463) |
| Tax effect of tax losses not recognised | **2,440** | 3,003 |
| Over provision in prior years | **(395)** | (365) |
| Tax effect of withholding tax arising from undistributed profits of subsidiaries | **2,026** | 1,307 |
| Income tax at concessionary rate | **(165)** | (165) |
| Others | **1,400** | 1,499 |
| Taxation for the year | **39,803** | 9,126 |

## 12. PROFIT FOR THE YEAR

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Profit for the year is stated at after charging: | | |
| Depreciation: | | |
| – Property and equipment | **28,171** | 22,231 |
| – Right-of-use assets | **105,055** | 83,518 |
| and after crediting: | | |
| Interest income on bank deposits | **1,822** | 3,496 |
| Government subsidies (Note) | **18,444** | 31,898 |
| Rental income from investment properties net of negligible direct operating expenses | **3,437** | 3,448 |
| Rent concessions related to COVID-19 | **6,688** | 12,228 |
| Other rent concessions | **–** | 944 |

Note: During the year ended 30th September, 2021, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK$13,294,000 (2020: HK$26,558,000) under the Employment Support Scheme which was included in staff costs; other subsidies of HK$5,150,000 (2020: 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 both years.

## 13. 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share | **170,340** | 27,736 |

| | Number of shares | |
|---|---|---|
| | **2021** | 2020 |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **680,552,764** | 680,552,764 |

## 14. DIVIDENDS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Interim dividend declared and paid of 5.5 HK cents (2020: 6.0 HK cents) per share | **37,430** | 40,833 |
| Final dividend proposed after the end of the reporting period of 16.5 HK cents (2020: Nil) per share | **112,291** | – |
| | **149,721** | 40,833 |

The 2021 final dividend of 16.5 HK cents (2020: Nil) per share, amounting to approximately HK$112,291,000 (2020: Nil), has been proposed by the directors of the Company after the end of the reporting period and is subject to approval by the shareholders in the annual general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2021 were approximately HK$37,430,000 (2020: HK$88,472,000).

## 15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Wages, salaries, bonuses and allowances | **307,536** | 252,204 |
| Pension costs – defined contribution plans | **11,016** | 8,841 |
| Government subsidies (note) | **(13,294)** | (26,558) |
| | **305,258** | 234,487 |

Note: During the year ended 30th September, 2021, HK$13,294,000 (2020: HK$26,558,000) government subsidies was granted due to the COVID-19 pandemic under the Employment Support Scheme.

## 16. 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 | 2021 Total emoluments HK$'000 |
|---|---|---|---|---|---|
| Yu Kam Shui, Erastus(4)(6) | – | 897 | 555 | – | **1,452** |
| Yu Lai Chu, Eileen | – | 897 | 555 | – | **1,452** |
| Lai Yin Ping | – | 897 | 555 | 4 | **1,456** |
| 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) | – | 4,550 | 555 | 18 | **5,123** |
| Total for the year 2021 | 750 | 7,241 | 2,220 | 22 | **10,233** |

| 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 |

(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 executive director

## 16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five Highest Paid Individuals

Of the five individuals with the highest emoluments in the Group, one (2020: two) were directors of the Company. Emoluments payable to the five individuals during the year were as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Basic salaries and other allowances | **17,489** | 14,651 |
| Bonuses | **555** | 5,747 |
| Retirement benefit costs | **90** | 90 |
| | **18,134** | 20,488 |

Their emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2021 | 2020 |
| Emolument bands | | |
| HK$2,500,001 – HK$3,000,000 | **2** | – |
| HK$3,000,001 – HK$3,500,000 | **1** | 4 |
| HK$3,500,001 – HK$4,000,000 | **1** | – |
| HK$5,000,001 – HK$5,500,000 | **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.

## 17. INTANGIBLE ASSETS

| | Licence fees HK$'000 | Trademarks HK$'000 | Customer relationship HK$'000 | Distributor agreement HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1st October, 2019 | 443 | 59,406 | – | – | 59,849 |
| Additions | 133 | – | – | – | 133 |
| Exchange realignment | 16 | – | – | – | 16 |
| At 30th September, 2020 | 592 | 59,406 | – | – | 59,998 |
| **Acquisition of subsidiaries (note (b) and 35)** | **–** | **13,748** | **3,631** | **4,226** | **21,605** |
| **Additions** | **71** | **–** | **–** | **–** | **71** |
| **Exchange realignment** | **35** | **–** | **–** | **–** | **35** |
| **At 30th September, 2021** | **698** | **73,154** | **3,631** | **4,226** | **81,709** |
| ACCUMULATED AMORTISATION | | | | | |
| At 1st October, 2019 | 298 | – | – | – | 298 |
| Charged for the year | 101 | – | – | – | 101 |
| Exchange realignment | 14 | – | – | – | 14 |
| At 30th September, 2020 | 413 | – | – | – | 413 |
| **Charged for the year** | **51** | **–** | **173** | **1,390** | **1,614** |
| **Exchange realignment** | **24** | **–** | **–** | **–** | **24** |
| **At 30th September, 2021** | **488** | **–** | **173** | **1,390** | **2,051** |
| IMPAIRMENT | | | | | |
| **At 1st October, 2019, 30th September, 2020 and 2021** | **–** | **510** | **–** | **–** | **510** |
| CARRYING VALUE | | | | | |
| **At 30th September, 2021** | **210** | **72,644** | **3,458** | **2,836** | **79,148** |
| At 30th September, 2020 | 179 | 58,896 | – | – | 59,075 |

## 17. INTANGIBLE ASSETS (Continued)

Notes:

(a) 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.

(b) 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, with carrying amount of HK$13,748,000, has been assessed together with the goodwill acquired on the same business combination during the year ended 30th September, 2021, as set out in note 35. The customer relationship and distributor agreement have definite useful life and are amortised on a straight-line basis over a period of approximately 5 years and 1 year respectively.

The remaining trademarks of HK$58,896,000 as at 30th September, 2021 and 2020 is related to a specific product and service line acquired during the year ended 30th September, 2010.

The recoverable amount of the trademarks has been assessed together with the goodwill acquired on those business combinations, as set out in note 18.

## 18. GOODWILL

| | HK$'000 |
|---|---|
| **COST** | |
| At 1st October, 2019 and 30th September, 2020 | 3,498 |
| Arising on acquisition of subsidiaries (note (a) and 35) | 26,661 |
| **At 30th September, 2021** | **30,159** |
| **IMPAIRMENT** | |
| **At 1st October, 2019, 30th September, 2020 and 2021** | **486** |
| **CARRYING VALUE** | |
| **At 30th September, 2021** | **29,673** |
| At 30th September, 2020 | 3,012 |

Notes:

(a) The goodwill arising on acquisition of subsidiaries during the year ended 30th September, 2021 amounted to HK$26,661,000 (note 35).

The CGU includes the trademarks as set out in note 17 which was acquired in the same business combination (note 35) during the year ended 30th September, 2021. As at 30th September 2021, the recoverable amount of the CGU has been determined based on a value in use calculation and this valuation was performed by an independent qualified professional valuer. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and at a discount rate of 16.94%. Millistrong's cash flows beyond the 5-year period are extrapolated using a long-term growth rate of 2.5%. This long-term growth rate is based on Millistrong's historical growth and relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

(b) The remaining goodwill of HK$3,012,000 as at 30th September, 2021 is attributable to the CGU of a brand of product and service line acquired during the year ended 30th September, 2010.

The CGU includes the trademarks as set out in note 17 which were acquired in the same business combination during the year ended 30th September, 2010. As at 30th September, 2021 and 2020, 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 at a discount rate of 16% (2020:16%). Other key assumption for the value in use calculation relate to the estimation of cash inflows or outflows which include budgeted sales.

(c) Such estimations are based on the CGUs' 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 CGUs, which includes goodwill and trademarks, to fall below its carrying amounts.

For the year ended 30th September, 2021 and 2020, 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.

## 19. INVESTMENT PROPERTIES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **FAIR VALUE** | | |
| At the beginning of the year | **227,188** | 233,966 |
| Increase (decrease) in fair value recognised in the consolidated statement of profit or loss and other comprehensive income | **727** | (6,778) |
| At the end of the year | **227,915** | 227,188 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| In Hong Kong | **227,915** | 227,188 |

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, 2021 and 2020 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, 2021 and 2020:

| Category | Fair value hierarchy | Fair value at | | Valuation methodology | Key unobservable inputs | Range of unobservable inputs | | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|---|
| | | 2021 HK$'000 | 2020 HK$'000 | | | 2021 | 2020 | |
| Commercial properties | Level 3 | **227,915** | 227,188 | Income approach | Monthly market rental per square foot | **HK$27 to HK$377** | HK$38 to HK$410 | The higher the market rental, the higher the fair value |
| | | | | | Market yield | **2.5% to 4.5%** | 2.6% to 4.6% | The lower the market yield, the higher the fair value |

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

## 20. PROPERTY AND EQUIPMENT

| | 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, 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 |
| **Additions** | **34,375** | **–** | **667** | **15,736** | **575** | **51,353** |
| **Acquisition of subsidiaries (note 35)** | **5,349** | **–** | **–** | **425** | **183** | **5,957** |
| **Disposals** | **–** | **–** | **–** | **(146)** | **–** | **(146)** |
| **Write-off** | **(12,943)** | **–** | **(65)** | **(1,671)** | **(552)** | **(15,231)** |
| **Exchange realignment** | **–** | **–** | **6** | **191** | **9** | **206** |
| **At 30th September, 2021** | **138,554** | **4,791** | **11,413** | **110,580** | **10,332** | **275,670** |
| **Accumulated depreciation** | | | | | | |
| 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 |
| **Provided for the year** | **17,494** | **950** | **729** | **8,682** | **316** | **28,171** |
| **Eliminated on disposals** | **–** | **–** | **–** | **(82)** | **–** | **(82)** |
| **Eliminated on write-off** | **(12,943)** | **–** | **(60)** | **(769)** | **(550)** | **(14,322)** |
| **Exchange realignment** | **–** | **–** | **6** | **182** | **9** | **197** |
| **At 30th September, 2021** | **88,810** | **4,322** | **10,144** | **83,209** | **9,137** | **195,622** |
| **Carrying value** | | | | | | |
| **At 30th September, 2021** | **49,744** | **469** | **1,269** | **27,371** | **1,195** | **80,048** |
| At 30th September, 2020 | 27,514 | 1,419 | 1,336 | 20,849 | 755 | 51,873 |

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| 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% |

## 21. LEASES

### Right-of-use assets

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Leasehold land and buildings | **296,480** | 242,374 |

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| At 1st October | **242,374** | 216,489 |
| Additions | **130,055** | 104,956 |
| Acquisition of subsidiaries (note 35) | **11,457** | – |
| Depreciation | **(105,055)** | (83,518) |
| Lease modification | **17,337** | 4,373 |
| Exchange adjustment | **312** | 74 |
| At 30th September | **296,480** | 242,374 |

### Lease liabilities

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Current liabilities | **103,869** | 99,285 |
| Non-current liabilities | **126,122** | 95,826 |
| | **229,991** | 195,111 |

During the year ended 30th September, 2021, the total cash outflow for leases were HK$101,130,000 (2020: HK$65,441,000).

## 22. RENTAL DEPOSITS

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

## 23. INVENTORIES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Finished goods – merchandises | **65,245** | 48,494 |

## 24. TRADE RECEIVABLES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Trade receivables | **27,611** | 19,766 |

The Group generally allows its trade debtors' credit terms of 30 days to 180 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:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| 0 to 30 days | **17,341** | 15,492 |
| 31 to 60 days | **3,171** | 473 |
| 61 to 90 days | **2,599** | 498 |
| 91 to 120 days | **2,336** | 1,899 |
| 121 to 150 days | **1,440** | 1,388 |
| 151 to 180 days | **724** | – |
| Over 180 days | **–** | 16 |
| | **27,611** | 19,766 |

As at 30th September, 2021, trade receivables from contracts with customers amounted to HK$27,611,000 (2020: HK$19,766,000).

As at 30th September, 2021, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK$nil (2020: HK$19,000) 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, 2021 are set out in note 40.

## 25. CONTRACT COSTS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Incremental costs to obtain contracts | **49,217** | 57,815 |

Contract costs capitalised as at 30th September, 2021 and 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$74,390,000 (2020: HK$51,138,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Hong Kong listed equity investments classified as held for trading, at quoted market price | **738** | – |

These investments represented listed securities in Hong Kong of HK$738,000, which are level 1 financial instruments and the fair value are based on the quoted bid prices in an active market. There are no significant unobservable inputs.

## 27. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 0.8% (2020: 1.5%) per annum.

## 28. TRADE PAYABLES

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| 0 to 30 days | **3,035** | 3,746 |
| 31 to 60 days | **851** | 919 |
| Over 60 days | **21** | 113 |
| | **3,907** | 4,778 |

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.

## 29. CONTRACT LIABILITIES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Sales of skincare products | **5,598** | 3,155 |
| Provision of treatment services in beauty salons, spas and medical beauty centres | **584,937** | 646,324 |
| | **590,535** | 649,479 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Sales of skincare products | **3,110** | 4,545 |
| Provision of treatment services in beauty salons, spas and medical beauty centres | **469,774** | 295,256 |

## 30. SECURED MORTGAGE LOAN

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current liabilities | **3,407** | 3,334 |
| Non-current liabilities | **3,187** | 6,594 |
| | **6,594** | 9,928 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within 1 year | **3,407** | 3,334 |
| 1 year to less than 2 years | **3,187** | 3,407 |
| 2 years to less than 3 years | **–** | 3,187 |
| | **6,594** | 9,928 |
| Less: Amount due within one year shown under current liabilities | **(3,407)** | (3,334) |
| Amount shown under non-current liabilities | **3,187** | 6,594 |

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK$227,915,000 as at 30th September, 2021 (2020: HK$227,188,000). It bears interest at 2.85% (2020: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 2.15% (2020: 2.15%) per annum.

## 31. SHARE CAPITAL

| | *Number of shares* | Amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1st October, 2019, 30th September, 2020, 1st October, 2020 and 30th September, 2021 | 2,000,000,000 | 200,000 |
| Issued and fully paid: | | |
| At 1st October, 2019, 30th September, 2020, 1st October, 2020 and 30th September, 2021 | 680,552,764 | 68,055 |

## 32. 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.

## 32. 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, 2021 nor outstanding as at 30th September, 2021. 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.

## 33. 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.

As at 30th September, 2021 and 2020, there was no forfeited contribution under the Defined Contribution Schemes available which may be used by the Group to reduce the existing level of contributions, nor any contribution under the Defined Contribution Schemes was forfeited by the Group during the two years.

## 34. 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, 2019 | 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) |
| **Exchange realignment** | **–** | **–** | **(279)** | **–** | **364** | **–** | **85** |
| **Charged to the consolidated statement of profit or loss and other comprehensive income** | **(1,935)** | **–** | **(2,026)** | **–** | **(455)** | **–** | **(4,416)** |
| **At 30th September, 2021** | **(1,461)** | **(9,718)** | **(6,775)** | **–** | **5,778** | **–** | **(12,176)** |

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:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Deferred tax assets | **6,873** | 7,792 |
| Deferred tax liabilities | **(19,049)** | (15,637) |
| | **(12,176)** | (7,845) |

At the end of the reporting period, the Group had unused tax losses of approximately HK$136,183,000 (2020: HK$71,153,000) 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, 2021 and 2020.

At the end of the reporting period, tax losses of approximately HK$4,072,000 (2020: HK$4,266,000) from overseas subsidiaries will be expired starting from 2022 up to the end of 2026 (2020: starting from 2021 up to the end of 2025). Other unused tax losses may be carried forward indefinitely.

## 35. ACQUISITION OF SUBSIDIARIES

As part of the Group's strategy to expand its business, on 29th March, 2021, the Company entered into a sale and purchase agreement ("Sale and Purchase Agreement") to acquire 100% of equity interests of Millistrong Holdings Limited and its subsidiaries (referred as "Millistrong" or as the context requires) for a base consideration of HK$45,000,000 ("Base Consideration") (as explained in note (a)). On 28th June, 2021, the completion of Millistrong took place ("Completion"). Millistrong has been accounted for as a wholly-owned subsidiary of the Group since Completion.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed by the Group at the Completion. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to contract liabilities and income tax-related items. The preliminary fair value of the identifiable assets and liabilities of Millistrong to the Group as at the Completion was as follows:

| | Notes | HK$'000 |
|---|---|---|
| Base consideration: | (a) | 45,000 |
| Cash adjustment | | – |
| NAV adjustment | (a) | (45,000) |
| | | – |
| Contingent consideration | (b) | – |
| | | – |
| Plant and equipment | | 5,957 |
| Intangible assets | | 21,605 |
| Right-of-use assets | | 11,457 |
| Inventories | | 9,643 |
| Trade and other receivables | | 11,268 |
| Contract cost | | 3,586 |
| Tax recoverable | | 553 |
| Cash and bank balances | | 17,781 |
| Trade and other payables | | (38,111) |
| Contract liabilities | | (57,983) |
| Tax payable | | (602) |
| Lease liabilities | | (11,815) |
| Net identifiable liabilities acquired | | (26,661) |
| Goodwill | | 26,661 |
| Total consideration | | – |

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

## 35. ACQUISITION OF SUBSIDIARIES (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

| | HK$'000 |
|---|---|
| Cash and cash equivalents paid (Note (a)) | – |
| Cash and cash equivalents acquired | (17,781) |
| Total net cash inflow | 17,781 |

### Pro-forma

The acquired business contributed total revenue of HK$33,526,000 and net profit of HK$838,000 to the Group from the Completion date to 30th September, 2021. Had these companies been consolidated from 1st October, 2020, the consolidated statement of profit or loss and other comprehensive income of the Group would show pro-forma revenue of HK$943,609,000 and profit for the year of HK$162,148,000.

Notes:

(a) As disclosed in the Announcements dated 29th March, 9th June and 28th June, 2021, the Base Consideration for the acquisition of Millistrong was HK$45,000,000, which shall be subject to conditions and adjustments set out in the Sale and Purchase Agreement. Except for the upward adjustments if certain conditions have been satisfied (as explained in note (b)), the Base Consideration shall be (i) reduced on a dollar-for-dollar basis by the amount by which the aggregate amount of cash at bank and on hand of Millistrong as shown in the completion accounts ("Completion Accounts") is less than an aggregate of HK$8,000,000 ("Cash Adjustment"); and (ii) reduced on a dollar-for-dollar basis by the amount by which the adjusted net asset value of Millistrong as shown in the Completion Accounts is less than zero ("NAV Adjustment"), provided that the aggregate of the Cash Adjustment and NAV Adjustment shall not exceed the Base Consideration.

According to the Sale and Purchase Agreement, the Group and the vendor shall jointly appoint BDO Limited ("Reporting Accountants" as defined in the Sale and Purchase Agreement) for performing completion audit and issuing completion accounts and accountants certificate. Up to the date of this report, the vendor has not complied with the Sale and Purchase Agreement to jointly appoint the Reporting Accountants with the Group to prepare the Completion Accounts. Based on Millistrong's summarised financial information prepared by the directors of the Company at the Completion date, the net liabilities of Millistrong were HK$48,266,000. As a result, the preliminary consideration is HK$nil.

Up to 30th September, 2021, the Group has paid HK$33,750,000 to the vendor pursuant to the provisions of the Sale and Purchase Agreement. Upon the assessment preliminarily performed by the management, the cash consideration was adjusted to HK$nil after taken into NAV Adjustment. As a result, the carrying amount of HK$33,750,000 was included in "deposits" in the consolidated financial position of the Group as at 30th September, 2021. The Group is in the process of (i) discussing with the vendor with an aim to complete the completion audit and finalise the Completion Accounts pursuant to the terms of the Sale and Purchase Agreement as soon as possible (expected to be completed by the end of June 2022), and (ii) reviewing with its advisers in respect of its rights under the Sale and Purchase Agreement and the appropriate course of action to take in the scenario when the Completion Accounts could not be agreed within a reasonable period of time. Management performed impairment assessment on the deposit of HK$33,750,000 and concluded that there was no impairment recognised as at 30th September, 2021.

(b) The Total Consideration is subject to possible upward adjustment if the consolidated turnover for Millistrong in respect of the 12 complete calendar months following Completion exceeds HK$170,000,000, HK$185,000,000 and HK$200,000,000 respectively, the Total Consideration may be increased by HK$5,000,000, HK$7,500,000 and HK$10,000,000 accordingly.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at fair value as at its acquisition-date and included as part of the consideration transferred in the business combination.

The valuation of the contingent consideration was carried out by an independent professional qualified valuer. The fair value of the contingent consideration as at 30th September, 2021 is HK$nil.

(c) The acquisition-related costs of HK$4,324,000 have been expensed and are included in administrative expenses.

(d) The gross amount of trade and other receivables was HK$11,268,000.

## 36. 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Investment properties | **227,915** | 227,188 |

## 37. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements | **3,729** | 283 |

(b) Commitments and Arrangements under Operating Leases

At the end of the reporting period, the Group had total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties:

| **As lessors**<br>**Rental receipts** | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Not later than 1 year | **2,965** | 3,495 |
| More than 1 year but not later than 2 years | **2,610** | 681 |
| More than 2 years but not later than 3 years | **1,100** | 66 |
| | **6,675** | 4,242 |

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

## 38. 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 |
|---|---|---|---|---|---|
| As 1st October, 2019 | 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 |
| **Additions to lease liabilities** | **–** | **–** | **–** | **109,277** | **109,277** |
| **Acquisition of subsidiaries (note 35)** | **–** | **–** | **–** | **11,815** | **11,815** |
| **Lease modifications** | **–** | **–** | **–** | **14,881** | **14,881** |
| **Rent concessions** | **–** | **–** | **–** | **(6,620)** | **(6,620)** |
| **Interest expenses on secured mortgage loan** | **180** | **–** | **–** | **–** | **180** |
| **Interest expenses on lease liabilities** | **–** | **–** | **–** | **6,330** | **6,330** |
| **Exchange adjustment** | **–** | **–** | **–** | **327** | **327** |
| **Financing cash flows** | **(180)** | **(3,334)** | **(37,430)** | **(101,130)** | **(142,074)** |
| **Dividend declared** | **–** | **–** | **37,430** | **–** | **37,430** |
| **At 30th September, 2021** | **–** | **6,594** | **–** | **229,991** | **236,585** |

## 39. 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 30 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.

## 40. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Amortised cost | **477,605** | 479,878 |
| Fair value through profit or loss | **738** | – |
| **Financial liabilities** | | |
| Amortised cost | **269,506** | 220,755 |

(b) Financial Risk Management Objectives and Policies

The Group's financial instruments include trade receivables, financial assets at fair value through profit or loss, 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, 2021, 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.

## 40. 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% (2020: 95%) of the total trade receivables as at 30th September, 2021.

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.

## 40. 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 2021 HK$'000 | Gross carrying amount 2020 HK$'000 |
|---|---|---|---|---|---|
| Financial assets at amortised cost | | | | | |
| Trade receivables | N/A | low risk (note (a)) | Lifetime ECL | 27,611 | 19,766 |
| Other receivables | N/A | low risk (note (b)) | 12m ECL | 216 | 8,791 |
| Deposits | N/A | low risk (note (b)) | 12m ECL | 80,690 | 33,332 |
| Bank balances | Aa2-A3 | N/A | 12m ECL | 369,088 | 417,989 |

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, 2021 and 2020, 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, 2021 (2020: HK$Nil).

## 40. 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:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Assets | | |
| United States Dollar ("US$") | **18,789** | 33,429 |
| Liabilities | | |
| US$ | **1,352** | 3,102 |

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 27 and 30, 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 30.

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:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Financial assets | **47,195** | 30,241 |
| Financial liabilities | **6,594** | 9,928 |

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, 2021 would decrease by HK$28,000 (2020: HK$41,000) 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.

## 40. 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, 2020 and 30th September, 2021, 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$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amounts as at 30th September, 2021 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Trade payables** | **–** | **3,907** | **–** | **–** | **–** | **3,907** | **3,907** |
| **Other payables** | **–** | **29,014** | **–** | **–** | **–** | **29,014** | **29,014** |
| **Lease liabilities** | **3.34** | **107,458** | **65,274** | **55,855** | **9,076** | **237,663** | **229,991** |
| **Secured mortgage loan** | **2.15** | **3,515** | **3,221** | **–** | **–** | **6,736** | **6,594** |
| | | **143,894** | **68,495** | **55,855** | **9,076** | **277,320** | **269,506** |

| | 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$'000 | More than 5 years HK$'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 |

(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.

## 41. 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 |

## 41. 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 |

## 41. 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 in Hong Kong |
| Oasis Billion Limited | Hong Kong 22nd August, 2019 | Ordinary share HK$1 | 100% | Inactive |
| Aesmedic Centre Limited | Hong Kong 25th July, 2006 | Ordinary shares HK$100 | 100% | Provision of medical beauty services in Hong Kong |

## 41. 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) | | | | |
| Aesmedic Clinic Limited | Hong Kong 3rd July, 2015 | Ordinary shares HK$10,000 | 100% | Provision of medical and aesthetic services in Hong Kong |
| Billion Trend Creation Limited | Hong Kong 6th August, 2009 | Ordinary shares HK$100 | 100% | Investment holding in Hong Kong |
| Frederique Academy of Phplus Limited | Hong Kong 30th March, 2006 | Ordinary shares HK$100 | 100% | Operation of beauty school in Hong Kong |
| Frederique Limited | Hong Kong 24th July, 2015 | Ordinary shares HK$100 | 100% | Sales of skincare products in Hong Kong |
| Haba Hong Kong Limited | Hong Kong 6th September, 2007 | Ordinary shares HK$1 | 100% | Sales of skincare products in Hong Kong |
| Hongkong Billion Sky Enterprise Limited | Hong Kong 6th September, 2007 | Ordinary shares HK$1 | 100% | Operation of beauty salons in Hong Kong |
| Kong Hong Clinic and Ambulatory Medical Centre Limited | Hong Kong 6th October, 2008 | Ordinary shares HK$1 | 100% | Inactive |
| Medic i-Laser Limited | Hong Kong 30th March, 2006 | Ordinary shares HK$100 | 100% | Provision of aesthetic services in Hong Kong |
| Millistrong China Limited | Hong Kong 11th December, 2008 | Ordinary shares HK$100 | 100% | Investment holding in Hong Kong |
| Millistrong Holdings Limited | Hong Kong 30th September, 2008 | Ordinary shares HK$100 | 100% | Investment holding in Hong Kong |
| Millistrong International Limited | Hong Kong 16th July, 2003 | Ordinary shares HK$100 | 100% | Operation of beauty salons in Hong Kong |
| Philosophy Treatment Spa Limited | Hong Kong 30th March, 2006 | Ordinary shares HK$100 | 100% | Investment holding in Hong Kong |
| Phplus Limited | Hong Kong 1st January, 2018 | Ordinary shares HK$1 | 100% | Inactive |
| 蔓時哲貿易(上海)有限公司 *(Note)* | The PRC 23rd April, 2008 | US$750,000 | 100% | Sales of skincare products in the PRC |

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

Note: These companies are wholly foreign owned enterprises.

## 42. RELATED PARTY TRANSACTION

(a) Travelling Expenses

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Travelling expenses paid to:<br>– Hip Holiday Limited | – | 39 |

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Basic salaries | 7,241 | 6,918 |
| Bonuses | 2,220 | 9,584 |
| Retirement benefit costs | 22 | 36 |
| | 9,483 | 16,538 |

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.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | AS AT 30TH SEPTEMBER,<br>2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Non-current asset | | | |
| Investment in a subsidiary | | 3,000 | 3,000 |
| Current assets | | | |
| Prepayments | | 247 | 226 |
| Amounts due from subsidiaries | a | 390,398 | 214,718 |
| Bank balances | | 1,875 | 2,601 |
| | | 392,520 | 217,545 |
| Current liability | | | |
| Accruals and other payables | | 434 | 582 |
| Amount due to a subsidiary | a | 188,854 | 140,316 |
| | | 189,288 | 140,898 |
| Net current assets | | 203,232 | 76,647 |
| Total assets less current liability | | 206,232 | 79,647 |
| Capital and reserves | | | |
| Share capital | | 68,055 | 68,055 |
| Reserves | b | 138,177 | 11,592 |
| Total equity | | 206,232 | 79,647 |

## 43. 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 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1st October, 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 |
| **Profit and total comprehensive income for the year** | **–** | **–** | **164,015** | **164,015** |
| **2021 interim dividend paid** | **–** | **–** | **(37,430)** | **(37,430)** |
| **At 30th September, 2021** | **1,153** | **450** | **136,574** | **138,177** |

## 44. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event after the reporting period.

# Five-Year Financial Summary

| | Year ended 30th September, | | | | |
|---|---|---|---|---|---|
| | **2021 HK$'000** | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 |
| **RESULTS** | | | | | |
| Revenue | **829,935** | 531,374 | 763,981 | 708,360 | 644,831 |
| Profit before taxation | **209,841** | 36,586 | 130,607 | 115,601 | 85,721 |
| Taxation | **(39,803)** | (9,126) | (23,248) | (20,490) | (16,397) |
| Profit for the year | **170,038** | 27,460 | 107,359 | 95,111 | 69,324 |
| Profit (loss) for the year attributable to: | | | | | |
| Owners of the Company | **170,340** | 27,736 | 107,690 | 95,238 | 69,331 |
| Non-controlling interests | **(302)** | (276) | (331) | (127) | (7) |
| | **170,038** | 27,460 | 107,359 | 95,111 | 69,324 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | |
| Total assets | **1,358,216** | 1,194,589 | 973,548 | 939,248 | 897,292 |
| Total liabilities | **(999,451)** | (971,480) | (688,515) | (650,507) | (584,905) |
| | **358,765** | 223,109 | 285,033 | 288,741 | 312,387 |
| Equity attributable to | | | | | |
| Owners of the Company | **352,421** | 216,438 | 278,072 | 281,707 | 305,247 |
| Non-controlling interests | **6,344** | 6,671 | 6,961 | 7,034 | 7,140 |
| | **358,765** | 223,109 | 285,033 | 288,741 | 312,387 |

# 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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

## STOCK CODE

1161

## WEBSITE

www.wateroasis.com.hk

Hong Kong 香港 | Macau 澳門 | Mainland China 中國

www.wateroasis.com.hk

18/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong
香港銅鑼灣告示打道280號世貿中心18樓