



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

2023

ANNUAL REPORT 年報

光芒閃耀

Glowing and growing

璀璨成長

2023

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 Millstrong 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 30 September 2023, 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 10 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 1 Oasis Beauty Store, which sell Eurobeauté brand products as well as offering beauty treatment services.

The Group also has 4 Oasis Hair Spas in Hong Kong, each operating independently within Oasis Beauty centres and offering advanced hair growth and scalp treatment options for men and women. In 2022, it opened its first Oasis Dental outlet, providing convenient dental treatments and cosmetic dental services to customers. 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 16 outlets in Hong Kong, and a further 2 in Macau. These include a range of spas providing high-end beauty services with a luxury 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.

Eurobeauté and DermaSynergy

The Group's self-owned Eurobeauté brand 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. In November 2021, it opened its first Eurobeauté outlet in Macau.

Another important range of products for the Group are those under its own DermaSynergy brand. 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.

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 2 Erno Laszlo outlets in Hong Kong, plus 1 Erno Laszlo counter in Macau.

Recently acquired brands

In June 2021, the Group acquired the Millistrong Group, a Hong Kong beauty group that had been operating in the city since 2003. This saw Water Oasis acquire a strong brand portfolio of beauty care products on the one hand, and beauty services (including spas and a medical beauty outlet) on the other, each with a large and loyal customer base. The acquisition 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.

The Group acquired one new retail distribution brand as a result of the acquisition. HABA is a line of high quality skincare and beauty products originating from Japan. Apart from selling HABA products in Hong Kong (3 stores) and Macau (2 counters), the Group also has wholesale distributor rights in Mainland China.

Also included in the Millistrong Group acquisition were three beauty services brands. The first, spa ph+, has 5 branches around Hong Kong. The spa ph+ business offers a full range of spa services utilising internationally renowned skincare brands, staffed with qualified beauty therapists. The second beauty services business, AesMedic Clinic, is a single medical beauty treatment centre offering advanced treatments for all kinds of skin and body issues. The third is 32°C, a Japanese-founded brand that provides beauty services along with associated skincare products. The Group operates 1 32°C store in Hong Kong.

CEO's Statement

I am pleased to report a very successful year for the Water Oasis Group. Our results show clearly that the Group has established itself as a market leader in the beauty services industry in Hong Kong. Our reputation for quality extends across our entire brand portfolio. Meanwhile, our customer numbers continue to grow as more and more users recognise the quality, convenience and value of the services and products we provide.

These excellent results, especially in a less than favourable macro-environment, spring from some forward-looking decisions made by the Group during the pandemic period. Enjoying a strong financial position, debt-free and holding significant cash reserves, we recognised during the pandemic that it was an important time to begin planning for the future. Choices were made then that helped lay the foundations for the Group's rapid and robust post-pandemic recovery.

For instance, the Group took advantage of the economic and property downturn during the pandemic to secure several more favourable locations for its major beauty services brands. We are reaping the benefits of this strategic move just a couple of years on, with the Group now having a powerful brand presence in some of the best retail locations across Hong Kong.

We also capitalised on the weaker rental market to obtain larger spaces in prime locations. Significant resources were then allocated to a strategy of opening new and impressive flagship stores for our major brands, as well as consolidating different brands of our network into the single larger-scale locations. In the 2021/22 year we spent over HK\$90 million on these bold initiatives. The result has been far greater public exposure for the Group's beauty services and products, and more opportunities for exploiting synergies between our brands.

At the same time, we embarked on an ongoing programme of beauty centre renovations. Consequently, once pandemic restrictions were eased, the Group was able to offer fresh new-look beauty centres that proved highly attractive and reassuring to customers. All along, we have not stopped sourcing the very latest beauty equipment, and have continued to roll out an attractive array of new beauty products and treatments at regular intervals.

This drive to establish the Group as Hong Kong's leading beauty services provider post-pandemic was significantly enhanced by our acquisition of the Millistrong Group's portfolio of products and services in 2021. Integrating this portfolio into our operations has resulted in very positive contributions to both our top and bottom lines. The acquisition has opened up further potential synergies between the Group's different brand offerings, and we expect to see the results of these become even more evident in the years ahead.

As our annual results show, the Group's preparations for market recovery have been strategically focused, wide-ranging, and highly effective. We certainly see more opportunities to be grasped going forward, and believe that our strong market presence, excellent exposure and high reputation put us in a fine position for future growth. A special focus in the next few years will be on expanding and maximising the impact of our flagship stores, which are proving highly effective in drawing new customers and handling the increased customer load efficiently. Given this increasing focus on our flagship operations, the Group will not be making extensive network expansion an immediate priority.

Overall, the Group expects to continue with a growth strategy that has proven highly effective in a period where many businesses have struggled. We are optimistic about the future, especially having achieved such positive results in the immediate post-pandemic period, in an economy that is struggling to fire. As the market improves, the Group's strong and promising position within its industry should enable it to step forward even more vigorously in the future.



Alan Tam

Executive Director and Chief Executive Officer

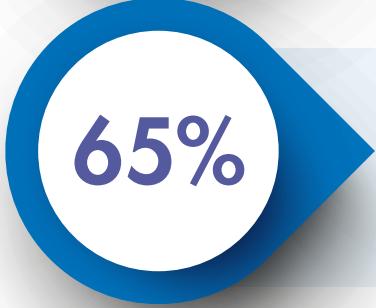
Management Discussion and Analysis

Financial Highlight

A graphic consisting of a white circle with a blue border, containing the text '16%'. The circle is set against a light blue background with a subtle circular gradient. A blue arrow points from the right side of the circle towards the text block on the right.

16%

The Group achieved a positive growth in revenue for the year ended 30 September 2023, with a 16% increase to approximately HK\$977 million, when compared to the revenue of HK\$ 842 million in the previous year of 2021/22.

A graphic consisting of a white circle with a blue border, containing the text '65%'. The circle is set against a light blue background with a subtle circular gradient. A blue arrow points from the right side of the circle towards the text block on the right.

65%

The Group's net profit for the year 2022/23 reached HK\$ 110 million, reflecting a substantial growth of 65% when compared to the net profit of HK\$ 67 million in the previous year of 2021/22.



The Group's positive financial performance reconfirmed its position as a market leader in the beauty services industry in Hong Kong.

Management Discussion and Analysis

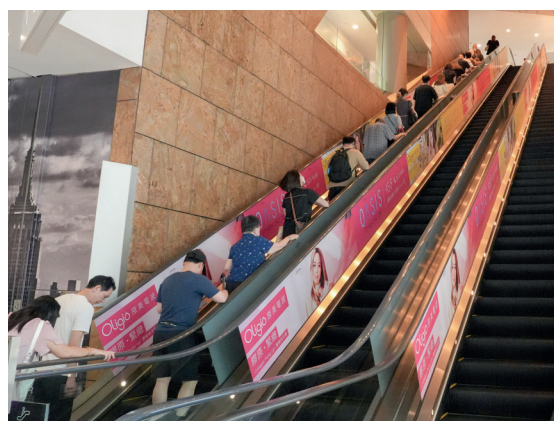
The Group's performance for the year ended 30 September 2023 was a strong one, and reflected its extensive work during the pandemic period in preparation for a return to normality. Thus even though the local economy was far from robust in 2022-23, the Group achieved double-digit growth in its revenue and profit after tax for the year, largely driven by strong demand for its beauty services. As a result, the Group's product/service mix continued to swing in the direction of beauty services, moving to 84.4% from 79.8% a year earlier. This swing directly affected the GP margin, which rose to 90.2% from 87.8% previously.

The Group's core expenses remained stable year-on-year. Depreciation costs of property and equipment remained at a similar level of 4.8% of revenue, as the Group continued its policy of regular store renovations and equipment purchases. Rental costs fell to 16.9% (from 20.5%) of revenue as the muted market environment moderated rent levels. However, staff costs rose, to 43.7% from 38.8% of revenue a year earlier, even though total staff numbers fell slightly year on year, to 1,073 from 1,112 a year earlier. This reflects a challenging labour market in Hong Kong, with the Group having to invest in measures designed to retain high performing staff and maintain a steady staff base.

The Group's brands benefited from its strategy in recent years of renovating, relocating and consolidating major brands into spacious flagship stores in popular destinations. These larger-scale stores not only cater for larger numbers of customers and offer greater booking flexibility, but they are able to leverage valuable synergies between different brand offerings. The consolidation process meant that at year-end, the Group was operating 64 Water Oasis portfolio outlets in Hong Kong, down from 69 the previous year. Despite this reduction in store numbers, the Group's results are up and the relocation and restructuring process has without doubt benefited the Group's overall performance.

Much of the Group's investment in major store relocations and consolidation was done in the previous financial year. As a result, capital expenditure for the year under review was only one third of that in 2021/22, falling to HK\$29.0 million in total from HK\$90.4 million previously.

As at 30 September 2023 the Group held bank balances and cash of approximately HK\$271.8 million in total. Its current ratio was 0.58:1. The board of directors has recommended the payment of a final dividend of 7.0 HK cents per share, bringing the full-year dividend to 14.0 HK cents (2022: 7.5 HK cents) per share.



Business Review

Beauty Services

OASIS Portfolio

Several brands are included in the Group's successful "Oasis" portfolio of beauty services and related wellness and lifestyle services. Chief among them are Oasis Beauty and Oasis Spa, providing high quality full-service beauty treatment services at locations across Hong Kong, and Oasis Medical Centre, which offers specialist medical beauty procedures under the supervision of registered doctors. Other smaller-scale service businesses in the Oasis portfolio include Oasis Homme, Oasis Hair Spa, Oasis Dental, Oasis Mom and Oasis Florist.

Oasis Beauty and Oasis Spa both enjoyed highly successful years, with each brand recording double digit growth in revenue. The clean, sophisticated décor and comfortable environs of these beauty centres helped attract and retain customers, as did the regular introduction of new treatments and products along with special offers. Offerings in the period included new 4D Pump equipment combining two major 4D regenerative energies with skin revitalising products to deliver a personalised 4D skin revitalisation regimen; another treatment that utilises HABA G-lotion and squalene products in conjunction with LiftPower phototherapy and ultrasonic vibration technology for skin tightening; and the introduction of world-first HI-Frush technology with RF radiofrequency energy to activate collagen restructuring in the skin layers.

The number of Oasis Beauty and Oasis Spa outlets in Hong Kong remained steady at 15 and 3 respectively. Meanwhile, the number of Oasis Medical Centres in operation fell by 1, to 10, as a result of the closure of the Oasis Medical Centre in the World Trade Centre in Causeway Bay. The operations of this centre were combined with those of the nearby much larger Oasis Medical Centre in the Soundwill Plaza, expanding the comfort and convenience available for customers.

New treatments introduced by Oasis Medical Centre in the period included an entry-level light medical aesthetic treatment to enhance facial contours and improve skin texture. The brand also rolled out the AestheFill® Elf Needle, a treatment that stimulates the production of type I collagen in the skin. Another major piece of new equipment, SEYO-TDA, incorporates patent-pending non-invasive transdermal technology originating from Germany. It delivers high concentrations of pure oxygen and active essences precisely into the skin layers, activating metabolic circulation and rapidly repairing fatigued or damaged cells.

Other Oasis ventures include Oasis Dental, which has continued to operate successfully in its Royal Park Hotel premises in Shatin since its opening in April 2022. The Group's 4 Oasis Hair Spas, offering high-end hair and scalp treatments, operate inside selected Oasis Beauty outlets, and continued to provide an extension of the face and body treatments offered under that brand.

The Group also operates 3 self-managed Oasis Beauty stores in Beijing, representing the same number as a year earlier, although in the period 1 Oasis Beauty store was closed and a new one opened in a different location. Results were muted for the year, due in part to challenges being faced by the Mainland economy.

At year-end, the Group was operating 15 Oasis Beauty centres in Hong Kong and another 2 Oasis Homme centres for men, the same number as in the previous year. There were 10 Oasis Medical Centres in operation in Hong Kong. In addition, the Group was operating 1 Oasis Beauty Store in Macau and 3 self-owned Oasis Beauty centres in Mainland China, along with 3 Oasis Spa outlets and 4 Oasis Hair Spas in Hong Kong.





Glycel

Separate from its Oasis portfolio is the Group's well-known self-owned Glycel brand. Glycel records revenue from both beauty services, under its Skinspa treatment operations, and sales of Glycel-branded products.

Like the Oasis beauty services, Glycel operations performed very strongly over the year, also achieving double-digit growth. Among the drivers for the brand's success were several new beauty treatments, such as Youthful Reveal, a needle-free red light oxygen infusion process combined with photon skin therapy that enhances nutrient absorption into the skin, increases skin oxygen levels, and improves skin texture. In addition, the brand rolled out its GLYCEL PowerFirm, which utilises three modes of RF technology for highly effective skin tightening results.

As at 30 September 2023 the Group was operating 16 Glycel outlets in Hong Kong and a further 2 in Macau.

spa ph+, AesMedic Clinic and 32°C

These 3 beauty services brands were both acquired as part of the Millstrong acquisition of 2021. The spa ph+ brand currently operates in 5 outlets across Hong Kong, offering high class beauty services. It enjoyed a strong performance in 2022/23. AesMedic Clinic, meanwhile, is a single medical beauty outlet situated in the World Trade Centre in Causeway Bay. 32°C continued to be sold from 1 outlet in Hong Kong.

Product sales

Balancing the Group's strong beauty services portfolio is an array of retail beauty brands which it either owns or for which it has distributor rights. Beauty product sales were soft in the year under review, and overall demand was relatively weak, leading to average performances.

HABA

HABA is a skincare brand represented by 3 stores in Hong Kong, 2 counters in Macau, and a wholesale distributorship platform in Mainland China. A number of new products or series were rolled out in the year, expanding the range of this popular brand. They included a new Deep Moisture Light Lotion, specially designed for dehydrated skin; a moisturising



facial foam product using ingredients sourced from Japan; a Micro-force cleansing product that harnesses water-soluble squalene essence particles for effective make-up removal without skin dryness; a beauty beverage containing 17% grape extract and ingredients rich in polyphenols and vitamin C, L-cysteine and phospholipids for skin health; grape-flavoured soft gummies for effective absorption of iron, especially suitable for people with anaemia, pregnant women, and those on a diet; and various health supplements all designed for skin enhancement.

Glycel

Alongside this brand's beauty services, described above, it offers a range of sophisticated beauty products, many of which are incorporated into its beauty service treatments. The products are available for purchase in the 16 Glycel outlets in Hong Kong and 2 outlets in Macau.

Among new products rolled out in the year was the GLYCEL 6D Magic Mask, combining three types of hyaluronic acid, a triple collagen formula, and six natural nourishing and repairing ingredients. The mask incorporates 6D cutting technology to achieve an unprecedented level of adherence to the face and exceptional absorption of ingredients.



Eurobeauté and DermaSynergy



The Group's Eurobeauté brand includes a range of products used in and sold to customers at its Oasis Beauty centres as well as its own outlets in Hong Kong and Macau, while its self-owned DermaSynergy brand offers various skincare and related beauty products for consumers and is mostly sold at Oasis Medical Centres.

Erno Laszlo

The Group operated 3 Erno Laszlo outlets at year end, 2 in Hong Kong and 1 in Macau, having closed one store in December 2022. In the period Erno Laszlo launched its new Sensitive Collection, which features the patented SensCalm3 Complex, a natural ingredient blend that is safe, gentle and fragrance-free. The collection is made up of three separate products which together form the highly effective "Anti-Sensitivity Trilogy" for those who suffer from sensitive skin.



PROSPECTS

The Group is looking ahead at the next twelve months and beyond with strong confidence. By focusing its operating model on meeting domestic demand, and by offering beauty services and products across many economic levels to meet that demand, the Group has attracted a very wide customer base. It has also been helped in establishing itself as Hong Kong's leading beauty services group by the fact that some competitors exited the market under the strains of the pandemic. As a result, the Group is setting the standards for the market, and has become a top choice for customers of all ages and spending tiers, who have expressed enthusiasm for the professionalism and high service standards that are in place right across its brand portfolio.

Given this satisfying foundation, the Group is now gearing up for further growth in the year ahead. With international trade fairs and exhibitions returning to normal, Group management are travelling regularly to fairs to explore new technology offerings, and seek out new and cutting-edge equipment as and when it becomes available. In some case, the Group is able to deal directly with manufacturers to acquire customised equipment, meaning that its service offerings are unique in the market and especially tailored for Hong Kong customers.

One focus in the year ahead will be on acquiring new customers looking for reliable, high quality beauty options, from high end (Oasis Spa), middle tier (Oasis Beauty) to mass market product offerings via the Group's different retail stores. Marketing for new target segments will be stepped up over the coming year, and individual brands will be widely promoted both on the Group's own online platforms and on third-party platforms. Work will continue to be done on consolidating and growing the Group's promising e-commerce business for products. Plans are also afoot for a number of creative marketing campaigns that the Group will roll out in the months ahead.

The Group operates 3 self-owned Oasis Beauty outlets in Beijing, and it does see some potential arising in the nearer-to-hand Greater Bay Area (the "GBA"). Given the relatively weak economy, however, and the different customer profiles associated with the Mainland, it does not intend to seek the GBA expansion at this stage unless conditions are absolutely right. As a result, the Group's growth focus in the coming year will be firmly on Hong Kong, where much potential remains. In 2021/22 it spent over HK\$90 million on its flagship stores along with renovations and relocations, and it believes this investment and consolidation has given it a significant basis for growth.

In summary, the Group's careful strategic moves in the past few years have helped create a strong platform for the future. Its investment in expanding store sizes and improving their positioning has resulted in highly visible flagship stores that are catching the eyes of Hong Kong consumers and raising the Group's profile to new heights. Customer feedback across the board is highly positive, and more and more potential customers are looking closely at the Group's offerings, attracted by strong advertising campaigns and other marketing initiatives. Given this highly favourable operating landscape, the Group is preparing itself for a dynamic year of active business growth ahead.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. YU Kam Shui, Erastus, aged 73, 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, the United States. 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 46, is the Chief Executive Officer of the Group (the "CEO") since 15 March 2017 and is an executive director of the Company since 1 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 geographical areas including Mainland China, Macau, Taiwan and Singapore. Mr. Tam is the Beijing Chaoyang District Committee of CPPCC, Principal Advisor (Wanchai District) of the Auxiliary Medical Service and Senior Supervisor of Hong Kong Road Safety Patrol, Hong Kong Sheng Kung Hui (S.K.H.) Welfare Council Limited Audit Sub-Committee Member, Sponsoring Body Manager of S.K.H. St. Michael's Primary School, S.K.H. Chai Wan St. Michael's Primary School and St. Paul's Church Kindergarten. Mr. Tam holds a Bachelor of Arts Degree in Contemporary English Language. Mr. Tam is a son of Ms. Yu Lai Chu, Eileen, the nephew of Mr. Yu Kam Shui, Erastus and Ms. Lai Yin Ping, all of which 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 71, 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 68, 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 75, 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 50 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 (the “HKSAR Government”). Prof. Wong is currently an independent non-executive director of Galaxy Entertainment Group Limited, Winox Holdings Limited, The Cross-Harbour (Holdings) Limited and Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. Prof. Wong was an independent non-executive director of BAIC Motor Corporation Limited, Li Bao Ge Group Limited, Sino Oil and Gas Holdings Limited and C C Land Holdings Limited from 2 December 2014 to 24 March 2021, from 16 June 2016 to 1 January 2022, from 16 August 2010 to 24 November 2022 and from 1 October 2007 to 22 May 2023 respectively. All companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. WONG Chun Nam, Duffy, B.B.S., J.P., aged 70, 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 Chartered Governance Professional, a Chartered 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 and a member of the Torture Claims Appeal 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 68, 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. Dr. Wong was the managing director of Y. T. Realty Group Limited from 10 January 2000 to 29 February 2016, which is listed on The Stock Exchange of Hong Kong Limited.

Dr. CHAN Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P., aged 68, is an independent non-executive director since 5 September 2022, the members of Audit Committee, Remuneration Committee, Nomination Committee, Investment Advisory Committee and Disclosure Committee of the Company. Dr. Chan holds a Doctoral Degree in Business, a Master Degree and a Professional Diploma in Housing Management. He is a Registered Professional Housing Manager, a fellow of the Royal Institution of Chartered Surveyors, a Fellow of The Hong Kong Institute of Housing, the Chartered Institute of Housing, the Hong Kong Institute of Real Estate Administrators, as well as an Honorary Fellow of The Hong Kong Institute of Facility Management. Dr. Chan has been appointed to serve in a number of public and voluntary services, currently, he is an Ex-officio Member (Architectural, Surveying, Planning and Landscape Subsector) of the Election Committee, a member of the Hong Kong Housing Authority (Chairman of the Building Committee), a member of the Elderly Commission, a member of the Occupational Safety & Health Council, an Honorary Member of the Auxiliary Medical Service, the Vice-Chairman of the Hong Kong Council on Smoking and Health as well as an Adjunct Professor of The University of Hong Kong. In recognition of his contributions towards the housing profession, medical and related community services for the society at large, he was awarded the Governor's Commendation For Community Service in 1993, appointed a Justice of the Peace (J.P.) in 2008, awarded the Bronze Bauhinia Star (B.B.S.) Medal in 2012 and the Silver Bauhinia Star (S.B.S.) Medal in 2021 by the HKSAR Government. Dr. Chan is an honorary fellow of the Guangxi Academy of Social Sciences.

SENIOR MANAGEMENT

During the year, the organisation structure was streamlined. Various businesses and functions of the Group are under the direct responsibilities of the executive directors and CEO who are regarded as senior management of the Group. The Board will review the organisation structure from time to time to complement the Company's corporate strategy.

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 30 September 2023.

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 Part 2 of 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 30 September 2023.

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 the Board procedures and all applicable rules and regulations are followed.

There are established mechanisms for directors of the Company to seek independent professional advices for them to discharge their duties and responsibilities, and to ensure independent views and input are available to the Board. The Board adopted a policy on directors obtaining independent professional advice on 7 March 2022 and the Board reviews the implementation and effectiveness of such mechanisms annually.

Each director of the Company is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company’s expense on any matter connected with the discharge of his or her responsibilities. The director of the Company must seek the prior approval of the chairman of Audit Committee (or if the chairman of Audit Committee is the relevant director, the approval of the Board). In seeking such prior approval, the director of the Company must provide details of the nature of and reasons for the independent professional advice to be sought, the likely cost of obtaining the independent professional advice; and details of the independent adviser. The approval of the chairman of Audit Committee (or the Board as appropriate) must not be unreasonably withheld. The chairman of Audit Committee (or the Board as appropriate) may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice. All documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and the director of the Company in their personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including, for example, matters relating to the director’s contract of employment with the Company (in the case of an executive director) or any dispute between the director of the Company and the Company. Unless the chairman of Audit Committee or the Board (as applicable) otherwise determines, any advice received by an individual director will be circulated to the Board.

BOARD COMPOSITION

As at 30 September 2023 and up to the date of this annual report, the Board comprises four executive directors and four 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 terms of office of all independent non-executive directors shall expire and subject to rotational retirement and re-election at annual general meetings of the Company (the “AGM”) at least about once every three years pursuant to the articles of association of the Company (the “Articles of Association”). Under 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 less than one-third) shall be subject to retirement by rotation provided that every director shall be subject to retirement at an AGM at least once every three years.

At the forthcoming AGM, Mr. Yu Kam Shui, Erastus, Ms. Yu Lai Chu, Eileen and Mr. Tam Siu Kei will retire as directors and, being eligible, offer themselves for re-election.

In accordance with the article 83(3) of the Articles of Association, the directors shall have the power from time to time and at any time to appoint any person as the director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director so appointed by the Board shall hold office only until the next following AGM and shall then be eligible 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 C.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separate 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 POLICY

The Board has adopted a board diversity policy (the “Board Diversity 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 the 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 Board Diversity Policy and will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIVERSITY IN BOARD AND WORKFORCE

BOARD LEVEL

Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the Nomination Committee will consider a range of diversity of perspectives with reference to the Company’s business model and specific needs, including but not limited to skills, knowledge, professional experience and qualifications, industry and regional experience, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board. All the Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

For the year ended 30 September 2023 and as at the date of this annual report, the Board consists of six male members and two female members. The Nomination Committee considered that the Board was sufficiently diverse in terms of gender and the Board had not set any measurable objectives. The Company has also reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the directors in various aspects and fields can enable our Company to maintain a high standard of operation.

The Company will engage more resources in training female staff who have long and relevant experience in beauty services industry, with the aim of promoting them to the senior management or directorship of the Group. The Company expects to have more female members who would be qualified to sit on the Board in the future.

WORKFORCE LEVEL

The Group is engaged in the operations of beauty services including spas, beauty salons and medical beauty centres as well as the distribution of skincare products. Due to the uniqueness of the industry, most of the customers are women, with a minority of men. In order to serve the needs of female customers, the proportion of the Company's staff is mostly women. The details of workforce composition in Hong Kong were disclosed under Environmental, Social and Governance Report in this annual report. Setting a measureable objective for achieving gender diversity at workforce level is not suitable for beauty services industry.

In order to enhance efficiency, the Company maintains a simple staff structure and there are various departments which are led by different male and female staff.

The Company welcomes all gender to join. The recruitment strategy is to employ a right staff for a right position regardless of the gender. The Company commits to provide equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits.

BOARD AND BOARD COMMITTEE MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings are held at regular intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Board met 6 times during the year ended 30 September 2023.

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 30 September 2023 are set out in the table below:

Directors	Number of meeting(s) attended/held						Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Investment Advisory Committee	Nomination Committee	Disclosure Committee	
Executive directors							
YU Kam Shui, Erastus	6/6	–	–	2/2	–	–	1/1
TAM Siu Kei (CEO)	6/6	–	–	–	–	–	1/1
YU Lai Chu, Eileen	5/6	–	–	–	–	–	1/1
LAI Yin Ping	6/6	–	–	–	–	–	1/1
Independent non-executive directors							
WONG Lung Tak, Patrick	6/6	4/4	1/1	2/2	1/1	–	1/1
WONG Chun Nam, Duffy	6/6	4/4	1/1	2/2	1/1	–	1/1
WONG Chi Keung	6/6	4/4	1/1	2/2	1/1	–	1/1
CHAN Chi Kau, Johnnie Casire	6/6	4/4	1/1	2/2	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 30 September 2023, 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	✓	✓
CHAN Chi Kau, Johnnie Casire	✓	✓

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 independent non-executive directors, namely Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, 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 from time to time to comply with the CG code. 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 30 September 2023, 4 meetings were held by the Audit Committee. Among these meetings, it had reviewed the annual results of 2022 with external auditor and also the activities of the Group's risk management and internal control functions and the interim results of 2023.

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 26 June 2006 with its written terms of reference revised in March 2012 and 2023 to comply with the CG Code. 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, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, 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. In addition, the Remuneration Committee is responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. 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 30 September 2023, 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, independent non-executive directors and senior management.

Pursuant to code provision E.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 30 September 2023, 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 of this annual report.

INVESTMENT ADVISORY COMMITTEE

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15 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, Dr. Wong Chi Keung, and Dr. Chan Chi Kau, Johnnie Casire 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 30 September 2023, 2 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 22 March 2012 with its terms of reference revised in March 2012 and 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, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, 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 30 September 2023, 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; (iii) to review and make a recommendation to the Board on the re-appointment of the directors; and (iv) to review the Board Diversity Policy and the measurable objectives as well as the nomination policy (the "Nomination Policy").

NOMINATION POLICY

OBJECTIVES

The key objectives of 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 Nomination 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 10 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, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, 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 30 September 2023, 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 30 September 2023 is broken down below:

	2023 HK\$'000
Statutory audit	1,632
Non-audit services	667
Total	2,299

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 30 September 2023 are set out in the section "Independent Auditor's Report" on pages 56 to 61 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 which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 30 September 2023. 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.

The Group has formulated the whistleblowing policy for employees to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Group also issued prevention of bribery and corruption policy to ensure employees are aware of anti-corruption laws and regulations and regulatory obligations.

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 policies regarding the Inside Information, as well as keeps them apprised 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 30 September 2023.

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 30 September 2023, 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 or resolution 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.

SHAREHOLDERS COMMUNICATION POLICY

The Board has adopted a shareholders communication policy (the "SCP") on 22 March 2012. The SCP was reviewed by the Board during the year ended 30 September 2023 to ensure its implementation and effectiveness. With the below measures in place, the SCP is considered to have been effectively implemented.

PURPOSE

The SCP aims to set out the provisions with the objective of ensuring that Company's shareholders, both individual and institutional (collectively, "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

For the purpose of the SCP, references to the investment community is intended to include the Company's potential investors as well as analysts reporting and analysing the Company's performance.

GENERAL POLICY

The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review the SCP to ensure its effectiveness.

Information of the Company shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), announcements, circulars and other corporate publications made available on the website of the Company at www.wateroasis.com.hk and the HKEXnews website at www.hkexnews.hk, and the direct communication platform in the AGM held every year and any other general meetings that may be convened as required.

Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

Any questions regarding the SCP shall be directed to the company secretary of the Company.

COMMUNICATION STRATEGIES

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Share Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community may send their enquiries in respect of the Company by addressing them to the company secretary of the Company.

Corporate Communication

Corporate communication (as defined in the Listing Rules), any documents issued or to be issued by the Company for the information or action of Shareholders, including, but not limited to, the directors' report and annual accounts together with a copy of the independent auditor's report, the interim report, a notice of meeting, a circular and a proxy form will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Corporate Website

The Company's website www.wateroasis.com.hk provides comprehensive and updated information about the Company, including our news, financial results, financial statements, announcements, circulars, memorandum and articles of association, composition of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Investment Advisory Committee and the terms of reference of the Company's Audit Committee, Nomination Committee, Remuneration Committee and Investment Advisory Committee. Information on the Company's website is updated from time to time.

Information submitted by the Company to the Stock Exchange for publication on the HKEXnews website will also be posted on the Company's website immediately thereafter in accordance with the requirements of the Listing Rules. Such information includes financial statements, results announcements, announcements, circulars, notices of general meetings, proxy forms, monthly return and next day disclosure return etc.

All press release relating to the Company's results announcements (if any) will be made available on the Company's website. All the Company's news regarding the major events and activities of the Group will be made available on the Company's website.

Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the AGMs and other general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and representative(s) of external auditors will attend AGMs to answer Shareholders' questions.

Investment Market Communications

Investor/analysts briefings and one-on-one meetings, media interviews and marketing activities for investors etc. will be available where necessary in order to facilitate communication between the Company, Shareholders and the investment community. The Company's directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the relevant disclosure obligations and requirements under the Listing Rules.

SHAREHOLDER PRIVACY

The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

INVESTOR RELATION

There was amendment made to the constitutional documents of the Company during the year ended 30 September 2023. The shareholders of the Company approved to amend the existing memorandum and Articles of Association of the Company (the "Existing M&A") and to adopt an amended and restated memorandum and articles of association of the Company at the AGM held on 10 February 2023 in order to (i) conform to the core standards set out in Appendix 3 to the Listing Rules; (ii) update the Existing M&A according to the relevant requirements of the Listing Rules and the applicable laws of the Cayman Islands; and (iii) to make some housekeeping amendments.

UPDATE ON DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of 2023 interim report of the Company are set out below:

- Prof. Wong Lung Tak, Patrick was appointed as an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, a company listed on the Stock Exchange, with effect from 30 May 2023.
- The monthly basic salary of Mr. Tam Siu Kei, an executive director and the CEO, will be revised to HK\$415,000 with effect from 1 January 2024.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Group is pleased to present its ninth Environmental, Social and Governance (“ESG”) Report (the “Report”). The Report discloses the ESG strategies and performances of the Group, including related governance policies and structure, also our ESG initiatives in relations to our material issues. The Report showcases the Group’s commitment to sustainable and responsible business practices and allows stakeholders to have a better understanding on our approach to sustainable development.

The Report is available in both English and Chinese versions. In case of any discrepancies between the two versions, the English version shall prevail.

Scope and Reporting Period

The Group is headquartered in Hong Kong and has business operations in Hong Kong, Macau and Beijing. Considering the major business segments and operations of the Group, the Report focused on the Group’s key business operations in Hong Kong for the period from 1 October 2022 to 30 September 2023 (the “Reporting Period”).

Reporting Standards and Principles

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (“HKEX”). The Report has been prepared in full compliance with the mandatory disclosure requirements and “comply or explain” provisions stipulated in the ESG Reporting Guide.

The preparation of the Report follows the reporting principles set out in the ESG Reporting Guide:

Materiality	The Group has identified the material ESG issues by conducting stakeholder engagement through different channels and discussion of the board of directors (the “Board”) in consideration of the Group’s business nature and development. They will be disclosed in the Report in a focused manner.
Quantitative	The Group has disclosed key performance indicators (“KPIs”) in a quantitative manner where appropriate. The KPIs are calculated with reference to “Appendix 2: Reporting Guidance on Environmental KPIs” and “Appendix 3: Reporting Guidance on Social KPIs” of “How to Prepare an ESG Report” published by HKEX.
Consistency	The Group has adopted consistent statistical methodologies including data collection and calculation for meaningful comparisons of ESG data over time. In case of any adjustments in the reporting scope or methods, they shall be explained for stakeholders’ reference.

SUSTAINABILITY GOVERNANCE

The Board is responsible for assessing and managing ESG risks, establishing and reviewing objectives, executing ESG-related policies and measures, and the accountability of ESG reports. The Board identifies, evaluates, prioritizes, and manages material ESG risks and opportunities. Regular meetings and communication with management enable the Board to monitor progress towards the Group's ESG targets and ensure effective oversight in these areas. The Group has engaged an independent consultant, Riskory Consultancy Limited, to assist in report preparation and provide ESG-related consultancy services.

For the Group's other corporate governance details, please refer to the "Corporate Governance Report" in this annual report.

STAKEHOLDER ENGAGEMENT

The Group values stakeholders' feedback as it is critical to the Group's operation, management and performance. We take into account recommendations and concerns of stakeholders when identifying ESG-related risks and opportunities, and setting goals and strategies. We actively engage our internal and external stakeholders through different communication channels and engagement activities:

Customers	Employees
• Corporate website • Beauty centres/Retail outlets • Brochures and leaflets • Comment and complaint channels • Customer service hotline • Multimedia	• Comprehensive training • Emails and other electronic communications • Employee activities • New hire orientations • Performance appraisals • Notices and circulars • Staff meetings and team briefings
Investors and Shareholders	Suppliers and Business Partners
• Announcements and notices • Annual General Meeting and circulars • Financial statements/ESG information • Corporate website • Investors briefings • Press releases/News	• Business meetings • Contracts and agreements • Quotations and tendering process • Supplier appraisal, assessment and evaluation
Community	Policymakers and Regulators
• Community participation • Corporate website • Multimedia	• Announcements and notices • Corporate website • Financial statements/ESG information

MATERIALITY ASSESSMENT

The Group has identified 18 ESG issues material to its operation through consistent communication with stakeholders and Board discussions. The Group has conducted an internal materiality assessment during the Reporting Period. ESG material issues were identified and ranked considering the operation conditions of the Group, opinions from stakeholders, ESG material issues of the industry mentioned in Sustainability Accounting Standards Board (SASB) and ESG material issues identified by peer companies. The identified material issues are strictly managed by adopting relevant policies and guidelines and will be disclosed in a focused manner in the Report.

Material Issues	Materiality
Employment	
1. Labour Standards	Most Important
2. Employment and Welfare	Most Important
3. Occupational Health and Safety	Most Important
4. Development and Training	Important
5. Diversity, Inclusion and Equal Opportunities	Relevant
Operation	
6. Anti-corruption	Most Important
7. Product Quality and Safety	Most Important
8. Innovation	Important
9. Legal Compliance	Important
10. Supply Chain Management	Important
11. Data Privacy and Security	Relevant
Environment	
12. Energy Management	Relevant
13. Climate Change	Relevant
14. Exhaust Gas and Greenhouse Gas Emissions	Relevant
15. Waste Management	Relevant
16. Water Consumption	Relevant
17. Use of Packaging Materials and Other Resources	Relevant
Community	
18. Community Investment	Relevant

ENVIRONMENT

The Group is dedicated to enhancing its environmental and sustainability performance. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong) and Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

The Group has formulated and adopted several environmental protection measures, for instance:

1. Encourage conscious energy use and emissions reduction in the Group to minimise the potential impact on the environment.
2. Provide sufficient resources to oversee and review the Group's approach and targets of environmental protection in its daily operations.
3. Advocate the use of new technologies in beauty equipment that are energy efficient and safe.
4. Promote environmental awareness to employees through briefings and inhouse communications on a regular basis.
5. Consider comprehensive environmental factors in formulating relevant policies for supply chain management.
6. Encourage suppliers to fulfil their responsibilities towards corporate social responsibility and practise their commitment to environmental protection.
7. Share environmental protection policies and management strategies with business partners including suppliers and employees, etc.

Emissions

Exhaust Gas Emissions

Vehicles are the primary sources of our exhaust gas emissions. Scented products including aromatherapy and spa supplies, essential oils and fragrance used in the beauty centres would cause the emission of volatile organic compounds ("VOCs"), which would affect the indoor air quality ("IAQ"). We aim to alleviate our exhaust gas emissions and to improve our IAQ, we are committed to:

- Encourage the use of public transport for commute;
- Conduct regular maintenance of our vehicles to ensure optimal engine performance and fuel use; and
- Develop guidelines on a more systematic planning and monitoring of the IAQ in all beauty centres and spas.

The emission data for the Reporting Period is as follows:

	Unit	2023
Nitrogen oxides (NO _x)	kg	14.73
Sulphur oxides (SO _x)	kg	0.31
Particulate matter (PM)	kg	1.08

Greenhouse Gas Emissions

Electricity consumption is the major source of our greenhouse gas (“GHG”) emissions. To achieve the aim of reducing our GHG emissions gradually, we continue to adopt different measures on energy saving (refer to the section headed “Energy Consumption”). Other implemented measures include:

- Monitor water consumption;
- Use digital technology and recycled paper;
- Encourage the use of public transport; and
- Use tele or video conferencing as an alternative to business travel.

The emission data for the Reporting Period is as follows:

	Unit	2023
Direct GHG emissions (Scope 1)¹		
• Gasoline	tonnes CO ₂ e	55.75
Energy Indirect GHG emissions (Scope 2)¹		
• Purchased electricity	tonnes CO ₂ e	886.95
All Other Indirect GHG emissions (Scope 3)¹		
• Disposal of paper waste	tonnes CO ₂ e	66.98
• Freshwater processing	tonnes CO ₂ e	0.60
• Sewage processing	tonnes CO ₂ e	0.29
Total GHG emissions	tonnes CO ₂ e	1,010.57
Intensity²	tonnes CO ₂ e/m ² operating area	0.05

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “Appendix 2: Reporting Guidance on Environmental KPIs” issued by HKEX, and “Global Warming Potential Values” from the IPCC Sixth Assessment Report, 2021 (AR6).
2. As at 30 September 2023, the Group had a total operation area of 22,153.09 m² in Hong Kong. The data is also used for calculating other intensity data.

Waste Management

During the provision of beauty services, a lot of cosmetics and beauty supplies are needed and used, the related hazardous and non-hazardous waste being generated are segregated, collected, and properly disposed of.

Clinical waste generated from medical beauty services is classified as hazardous waste under Section 35 of the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) and must be properly treated and disposed of. Clinical waste includes used syringes, needles, cartridges, ampoules, sharp instruments, and swabs and surgical dressing. They were properly segregated, labelled and disposed of in designated waste collection containers. The containers were then collected by licensed contractor for thermal incineration. Non-hazardous waste includes paper, printed matters, marketing materials, domestic waste for the beauty services and the packaging of used beauty products. The relevant data of the Reporting Period is as follows:

	Unit	2023
Total hazardous waste generated	tonnes	0.25
Intensity of hazardous waste	kg/m ² operating area	0.01
Total non-hazardous waste generated	tonnes	438.16
Intensity of non-hazardous waste	kg/m ² operating area	19.78

We have adopted several measures to reduce waste and increase employees' awareness of waste reduction, aiming to reduce waste generation. To reduce paper use, employees are encouraged to use digital technology and use recycled paper. In the future, we will continue to further reduce the waste generated through different potential initiatives.

Use 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 Company has been actively involved in promoting energy-saving and efficiency. We have demonstrated our commitment by signing up the Energy Saving Charter launched by the Environment and Ecology Bureau and Electrical and Mechanical Services Department. This step is aimed at encouraging our employees to join us in adopting energy-saving practices and showcasing our support for energy-saving initiatives.



Energy Consumption

Gasoline and electricity consumption is the Group's main energy consumption sources. The energy consumption data for the Reporting Period is as follows:

	Unit	2023
Direct energy consumption (Gasoline)	MWh	190.85
Indirect energy consumption (Purchased electricity)	MWh	1,716.11
Total energy consumption	MWh	1,906.96
Intensity	MWh/m ² operating area	0.09

To aim at increasing energy efficiency, we encourage conscious energy use in the Group, including deploying energy saving lightings, switching off idle lightings, computers and electrical appliances and equipment, advocate the use of new technologies in beauty equipment that are energy efficient and safe. The vehicles used by the Group are regularly maintained to ensure optimal performance and enhance fuel efficiency. Our employees are also reminded to use the window blinds in the office for heat insulation during summer season.

To strengthen employees' awareness on energy efficiency, energy saving slogans have been posted near the power control switches to encourage energy saving practices. Employees are also encouraged to use public transport. In the future, the Group will continue to adopt any other potential energy conservation initiatives to increase resource use efficiency.

Water Consumption

As the water consumption in the headquarters and some beauty services centres and retail shops is managed by property management companies, the relevant data is unavailable. We will enhance the data collection process to collect relevant data in the future if possible. Due to the Group's business nature and operating locations, we have not encountered any significant issues in sourcing water suitable for use during the Reporting Period. The water consumption data for the Reporting Period is as follows:

	Unit	2023
Total water consumption	m ³	1,386
Intensity	m ³ /m ² operating area	0.06

The Group continues to use solenoid valves in all the spas to prevent unnecessary water wastage. The increase in water consumption is mainly due to more customers visiting our beauty centres after the social distancing measures have been abolished. We will continue to study and adopt other potential initiatives in order to aim at further enhancing water usage efficiency in the future.

Paper and Printed Matters Consumption

Reducing the consumption of paper and printed matters has been one of the environmental objectives of the Group. The consumption data for the Reporting Period is as follows:

	Unit	2023
Paper disposed of	tonnes	13.95
Paper recycled	tonnes	16.41

Use of Packaging Materials

The Group has been actively minimising packaging materials of the beauty products and recycling plastic containers to protect the environment. Packaging materials including plastic bottles, plastic jars, cardboards, plastic pouches foam material and carton boxes are used for product protection during transportation. During the Reporting Period, the packaging materials consumption data of the Group in terms of finished products for the use in beauty services are as follows:

	Unit	2023
Total packaging materials consumption	tonnes	45.15
Intensity ¹	tonnes/revenue in million HK\$	0.05

Note:

1. Due to the enhancement in reporting and for better analysis, revenue instead of operating area is used in calculation for the intensity of the use of packaging materials. As at 30 September 2023, the Group's revenue is HK\$976.57 million.

The Environment and Natural Resources

Due to the nature of our business, the Group does not have significant adverse impacts on the environment. We are committed to controlling the consumption of resources as well as documenting our emissions. As the expectations on corporate responsibility increase, the Group promotes sustainability as one of its business approaches to create long-term value for its stakeholders. The Group is committed to applying industry standards, complying with relevant environmental laws and regulations, using energy and resources efficiently, and reducing emissions and waste during operations. We have participated in Greeners Action's Lai See Reuse and Recycle Program 2023 to encourage our employees to recycle their used Lai See after the celebration of Chinese New Year to reduce waste. 12kg of lai see packets is collected and recycled under the program.

We will continue to adopt different policies and measures to further reduce our adverse impacts on the environment and promote environmental protection awareness.



Climate Change

The Group understands that climate change affects every industry, including the beauty industry. We acknowledge the importance of climate change on our financial operations and sustainable development. To address the issue, we support 'Energy Saving Charter' and commit to the followings:

1. To maintain an average indoor temperature between 24-26°C during the summer months.
2. To switch off electrical appliances and systems when not in use and procure energy efficient appliances and systems.
3. To engage staff to adopt the above energy saving practices together.

We have also identified climate change-related risks and opportunities that may affect our business operations by reviewing internal policies, analysing current business conditions, stakeholder engagement, and studying relevant government policies. These risks and opportunities have been classified into two categories: physical risks and transition risks, according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The Group shall also continue to identify and evaluate the risks and opportunities in responding to climate change issues when devising management strategies for the future.

Physical Risks:

Description of Risks	Time Frame	Potential Impact	Countermeasures
Increased extreme weather events caused by climate change	Short-term	Increased safety risks for our employees to travel back to work and temporary suspension of business	Establish emergency work plan in response to extreme weather events and to resume operation once the weather conditions are stable

Transition Risks:

Description of Risks	Time Frame	Potential Impact	Countermeasures
Tightened regulatory restrictions or measures on climate disclosure	Medium-short term to long-term	The need to invest more resources to comply with the regulations which impacts our operation, strategies planning and financial performance	Keep up and comply with latest regulations and conduct internal review on ESG-related measures regularly by engaging independent consultant for consultancy services
Increased customers' concerns on the environment causing increased demand on environmentally-friendly products	Medium-short term	The loss in customers and increased in resources investment on purchasing new products that are more environmentally-friendly and sourcing advanced beauty equipment that are energy efficient and safe	– Actively minimizing packaging materials and recycling plastic containers of beauty products – Advocate the use of new technologies in beauty equipment that are energy efficient and safe

We will continue to explore the potential climate-related opportunities in the future, such as more energy efficient equipment and environmentally-friendly products.

SOCIAL

Employment

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. Our employees are fundamental to the Group's sustainable development and our success and operation greatly depend on the contribution and support of our employees. We aim to protect the well-being and rights of our employees and are committed to providing our employees a safe and healthy work environment, together with different opportunities for training and development.

We strictly adhere to employment-related laws and regulations, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Mandatory Provident Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) and Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong). During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

Employment Policy

The Group provides equal opportunities to its employees in respect of recruitment, training and development, job advancement, and remuneration and benefits to promote a high-quality and diverse workforce. The Group's staff handbook is designed to communicate important laws and work ethics surrounding employment, benefits and welfare, training and development, occupational health and safety, and code of conduct guidelines. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect employees from unfair or inconsistent treatment and discrimination at work. As at 30 September 2023, the Group had a total of 981 employees in Hong Kong.

Number of Employees	Unit	2023
By Gender		
Male	person	51
Female	person	930
By Age Group		
18-25	person	92
26-35	person	266
36-45	person	307
46-55	person	181
56 and above	person	135
By Employment Type		
Full time	person	904
Part time	person	77

Dismissal

The Group strictly prohibits any form of unfair or illegitimate dismissal. Based on reasonable circumstances, the Group reserves the right to dismiss employees in cases of unsatisfactory performance, persistent violation of company codes, or a restructuring of the human resources structure. In accordance with the applicable Guides on Employment Ordinance, the Group has developed internal procedures that align with the relevant laws and terms of employment contracts. The employment contract explicitly outlines the provisions governing the termination of the employment relationship, providing clarity and transparency for all parties involved.

Turnover Rate	Unit	2023
By Gender		
Male	percentage	20
Female	percentage	35
By Age Group		
18-25	percentage	36
26-35	percentage	45
36-45	percentage	31
46-55	percentage	30
56 and above	percentage	25

Anti-discrimination

The Group believes providing an equal and fair working environment that is free of harassment and discrimination is crucial for attracting talents and retaining employees. The Group has zero tolerance for any form of discrimination, abuse or misconduct in the workplace. We ensure our employees will not suffer from any discrimination or be deprived of any treatment due to gender, age, colour, place of origin, nationality, race, religion, sexual orientation, disability, marital status or any other reasons. Any misconduct shall be reported, and a comprehensive investigation will be conducted.

Benefit and Remuneration

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 achievements.

Health and Safety

The Group cares about the well-being of its employees and is committed to providing a safe, healthy and comfortable working environment for them. In compliance with the related occupational health and safety regulations, instructions and training regarding health and safety issues were developed and provided to the employees periodically. The operating procedures of the beauty equipment were provided through training to promote and enhance safety awareness and practices. By communicating workplace safety guidelines through training, safety briefings and notices, employees were able to identify, evaluate and control health and safety hazards. During the Reporting Period, the Group was not aware of any material non-compliance to health and safety related laws and regulations, including but limited to Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). There were no work-related fatalities for the past three years (including the Reporting Period).

	Unit	2023
Number of work injury cases	cases	2
Lost days due to work injury	days	545

The Group cares about the physical and mental health of the employees. We actively engage in communicating with employees when they need help. 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, we regularly organise various team-building activities or dinner parties such as monthly birthday parties or Christmas Parties to connect our employees, social media are also used for better internal communication. The internal newsletter “奧思匯聚” has been used to cultivate a sense of belonging, promote work-life balance, and strengthen the bond between employees.



Employee Development and Training

Employee training and development take centre stage within the Group's strategy to uphold the standard of quality services. A key aspect of this approach involves offering employees clear career paths and a diverse range of development opportunities. These opportunities encompass on-the-job training and workshops, enabling employees to enhance their abilities and professional skills. By providing such resources, the Group aims to foster continuous growth and improvement among its workforce, ultimately contributing to the delivery of high-quality services and goods.

To strengthen employees' skillsets and professionalism, comprehensive training programs were developed and provided to ensure they received the relevant training to excel in their jobs and progress in their careers. A wide range of skills training ranging from people management, time management, communications, brand and product knowledge, equipment operating procedures, and sales technique were provided for employees' personal growth both professionally and intellectually.

2023

Percentage of employees trained by gender (%)	
Male	12
Female	92
Percentage of employees trained by employee category (%)	
Director and Senior Management	100
Supervisory and General Staff	88
Average training hours completed per employee by gender (hours)	
Male	4
Female	7
Average training hours completed per employee by employee category (hours)	
Director and Senior Management	26
Supervisory and General Staff	6

Labour Standards

Child labour and forced labour are strictly prohibited in our operation. The Group complied with the applicable laws and regulations relating to employment, child and forced labour practices in the places where it has operations, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong), and the Immigration Ordinance (Cap. 115 of the Laws of Hong Kong). We have adopted initiatives to ensure no child and forced labour is employed in the Group. 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 requirements, and both the Group and the candidates' expectations for a fair, harmonious and sustainable workforce. In the rare cases where child or forced labours are found, their employment will be ended promptly and the hiring process will be reviewed for loopholes and enhancement.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of child and forced labour, and there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

Supply Chain Management

The Group understands the importance of supply chain management in achieving sustainable development. During the Reporting Period, the Group had 48 major suppliers from Greece, Italy, Monaco, Spain, Poland, Switzerland, Japan, Korea, Malaysia, United Kingdom, Mainland China and Hong Kong and conducted a periodic review and revise on all suppliers. To select the most suitable suppliers for the procurement of beauty products, beauty equipment and utensils, the Group has designed a procurement management system 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. Procurement is done in an honest, competitive, fair and transparent manner that delivers the highest quality product and cost performance. Manufacturers and material suppliers were chosen carefully based on documented procedures, due diligence checks, and selection criteria.

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. All suppliers have been assessed at the first time of purchase.

The Group also considers the environmental and social risks in the supplier selection process. Environmentally, we consider the supplier's environmental compliance, whether the suppliers have obtained environmental-related certifications, whether the supplied materials are made of environmentally friendly materials, whether they comply with local construction requirements or adopt compliant methods to dispose of contaminated materials. We prioritise the suppliers who use environmentally friendly products as raw materials. Socially, the labour standards of the Group are also applicable to the suppliers such as any child labour or forced labour and other illegal employment measures are strictly prohibited.

The Group regularly identifies suitable new suppliers to control internal risks. If any potential material issues arise with suppliers, the Group will take appropriate measures to change suppliers.

Distribution of Suppliers by Geographical Region	Unit	2023
Hong Kong	supplier	23
Mainland China	supplier	3
Overseas Regions	supplier	22

Product Responsibility

As a responsible corporate entity, the Group bears the responsibility of ensuring that the quality of its provided products meets the expectations of customers. The Group is also committed to safeguarding its customers' personal data and privacy. We strictly comply with all applicable laws and regulations relating to product responsibility, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong), Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and other applicable laws and regulations by other countries, regions or industry associations. During the Reporting Period, the Group did not violate any laws and regulations in relation to health and safety, advertising, labelling and privacy matters relating to products and services that had a significant impact on the Group.

Product and Service Quality

Having high standards in product and service quality is key to our business as our customers are becoming more concerned about the safety and quality of beauty products and services. 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 training and tests were conducted to ensure employees' quality performance. New and advanced beauty equipment was 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.

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 enquiries and feedback from customers for service improvement and training needs. 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 were no significant complaints received regarding the Group's product quality and service delivery and no products were subject to recall for safety and health reasons.

Data Protection and Privacy

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 relevant laws and regulations 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, the Group was not aware of any material non-compliance with laws and regulations concerning data protection and privacy that has a significant impact on the Group's operation. 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 by 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.

Intellectual Property Rights

The Group owned and registered several trademarks and domain names as they are important to the 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 strictly prohibits employees from unauthorized personal use, taking, or copying of any assets belonging to the Group. Any instances of such behaviour, once identified, will result in disciplinary action or legal prosecution. The Group maintains a zero-tolerance policy towards any violations in this regard. 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 has taken reasonable measures to prevent any infringement of its own IP rights and the IP rights of third parties.

Anti-corruption

The Group is committed to supporting its corporate value by upholding its philosophy to manage all businesses with the highest standards of business ethics, integrity, and fairness. We strictly comply with laws and regulations relating to the prevention of bribery, extortion, fraud, money laundering, and corruption, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), Competition Ordinance (Cap. 619 of the Laws of Hong Kong), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong).

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;
- not request from, obtain from, or provide benefits to customers, contractors, suppliers, or people with business relationships with the Group;
- avoid the conflict between personal and financial interest and the professional official duties in the Group;
- not exercise authority, influence decisions and actions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain; and
- promptly declare business and work-related situations such as conflict of interest, crimes or other unexpected events that can be damaging to the Group.

All non-compliance with the code or fraudulent practices are strictly forbidden. During the Reporting Period, no concluded legal cases regarding corruption were filed against the Group and its employees, and the Group did not violate any anti-corruption laws and regulations that had a significant impact on the operation of the Group.

Whistleblowing Policy

The Group promotes the importance of ethical behaviour and encourages anonymous whistleblowing and reporting of suspected corruption, misconduct, unlawful or unethical activities in strict confidence. Incidents and allegations or suspicions of fraud will be assessed and investigated. In the event of any illegal activities committed by any employee, the Group will notify the relevant law enforcement authorities and assist them in the investigation.

Anti-corruption Training

The Group provides instructions and guidelines to remind employees of the applicable rules and regulations with regard to the detection and prevention of potential corruption, conflict of interest, fraud and malpractice behaviour. Employees are aware of the Group's ethical standards. To further enhance employees' anti-corruption awareness, the Group plans to provide regular anti-corruption training and information to directors and employees in the future.

Community Investment

We value the sustainable development of the community and we believe that it is closely related to our operation, therefore we take up our social corporate responsibility and actively contribute to the society. The Group's community investment policy is designed to support charitable and non-profit organisations through donations and community care.

During the Reporting Period, the Group encouraged and motivated employees to participate in blood donation to spread the message of helping people who are in need as this will make a difference in others' lives and the community. For motivation, we supported this activity by offering each of the participants the Company's products and Starbucks vouchers. For cash donation, the Group has sponsored and participated in the Lai See Reuse and Recycle Program 2023 hosted by Greeners Action, which is a locally registered charitable organisation recognised by the government. The programme aimed to encourage our employees to reduce waste and to recycle useful materials and we had over 100 employees participated with 12kg of lai see packets recycled. 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.



HKEX ESG REPORTING GUIDE CONTENT INDEX

Reference KPIs of the ESG Reporting Guide	Corresponding Sections of the ESG Report
A. Environmental	
A1: Emissions	Exhaust Gas Emissions Greenhouse Gas Emission Waste Management
A2: Use of Resources	Energy Consumption Water Consumption Paper and Printed Matters Consumption Use of Packaging Materials
A3: The Environment and Natural Resources	The Environment and Natural Resources
A4: Climate Change	Climate Change
B. Social	
<i>Employment and Labour Practices</i>	
B1: Employment	Employment Policy Dismissal Anti-discrimination Benefit and Remuneration
B2: Health and Safety	Health and Safety
B3: Development and Training	Employee Development and Training
B4: Labour Standards	Labour Standards
<i>Operating Practices</i>	
B5: Supply Chain Management	Supply Chain Management
B6: Product Responsibility	Product and Service Quality Data Protection and Privacy Intellectual Property Rights
B7: Anti-corruption	Whistleblowing Policy Anti-corruption Training
<i>Community</i>	
B8: Community Investment	Community Investment

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 30 September 2023.

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 Mainland China. These include the brands of Glycel Skinspa, Oasis Spa, Oasis Beauty, Oasis Homme, Oasis Medical, Oasis Hair Spa, spa ph+, AesMedic Clinic and 32°C under the beauty services operations as well as the brands of Glycel, Eurobeauté, Erno Laszlo, DermaSynergy and HABA under the retail operations.

Details of the Company's principal subsidiaries as at 30 September 2023 are set out in note 40 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 30 September 2023 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 4, 5 to 11, 29 to 46 and 120 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 non-compliance 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 29 to 46 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 30 September 2023, 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 since the end of the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 to 63.

The directors have recommended a final dividend of 7.0 HK cents per share for the year ended 30 September 2023 payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 14 February 2024. Subject to the passing of the relevant resolution at the forthcoming AGM, the final dividend will be payable on Thursday, 29 February 2024.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 30 September 2023 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 66.

INVESTMENT PROPERTIES

The values of the investment properties as at 30 September 2023 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 120.

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
CHAN Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.

In accordance with Articles 84(1) and (2) of the Articles of Association, Mr. Yu Kam Shui, Erastus, Ms. Yu Lai Chu, Eileen and Mr. Tam Siu Kei 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, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire 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.

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 1 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.

All directors of the Company are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association.

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 30 September 2023, 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			Total	Approximate percentage of issued share capital
			Personal interests	Family interests	Corporate interests		
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	17,834,000 ordinary ⁽¹⁾	–	155,333,760 ordinary ⁽¹⁾	173,167,760 ordinary	25.45%
	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	7,008,000 ordinary	2,294,000 ordinary ⁽³⁾	–	9,302,000 ordinary	1.37%
Wong Chun Nam, Duffy	The Company	Beneficial owner and interest of spouse	600,000 ordinary	410,000 ordinary ⁽⁴⁾	–	1,010,000 ordinary	0.15%
Wong Lung Tak, Patrick	The Company	Beneficial owner	494,000 ordinary	–	–	494,000 ordinary	0.07%

Notes:

- (1) 17,834,000 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.
- (4) These shares are jointly registered in the name of Mr. Wong Chun Nam, Duffy and his wife Ms. Chiu Ching Wa, Tina.

As at 30 September 2023, 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

There is no share option scheme.

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 30 September 2023.

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

As at 30 September 2023, 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%
Billion Well Holdings Limited ⁽³⁾	Registered owner/ Personal interest	77,666,880	11.41%
Lai Yin Ling ^{(3) & (4)}	Interest of controlled corporations/ Corporate interest	111,273,760	16.35%

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) Billion Well Holdings Limited is a British Virgin Islands company beneficially owned by Ms. Lai Yin Ling.
- (4) Ms. Lai Yin Ling is deemed to have interested in 111,273,760 Shares held through Advance Favour Holdings Limited and Billion Well Holdings Limited, her controlled corporations. Ms. Lai Yin Ling is the sister of Ms. Lai Yin Ping and the sister-in-law of Mr. Yu Kam Shui, Erastus, both being the executive directors 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 30 September 2023, 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 30 September 2023.

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 30 September 2023 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 30 September 2023 are set out in note 41 to the consolidated financial statements.

ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 30 September 2023.

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 30 September 2023.

DONATIONS

For the year ended 30 September 2023, the Group had made charitable and other donations amounting to HK\$26,000 (2022: HK\$50,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 September 2023, the aggregate purchases attributable to the Group's five largest suppliers and largest supplier represented approximately 48.8% and 25.0% of the Group's total purchase respectively, whereas the aggregate turnover attributable to the Group's five largest customers was less than 3.5% of the Group's total revenue.

At all times during the year ended 30 September 2023, 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 30 September 2023, the distributable reserves of the Company amounted to approximately HK\$91.9 million under the Companies Act (As Revised) of the Cayman Islands (2022: HK\$108.3 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 30 September 2023 mainly denominated in HK\$ amounted to approximately HK\$271.8 million (2022: HK\$234.3 million). The Group generally finances its operation with internally generated resources.

As at 30 September 2023, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity was nil (2022: 1.1%). 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.

TREASURY POLICIES

The Group had adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 30 September 2023. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 30 September 2023.

SIGNIFICANT INVESTMENTS

As at 30 September 2023, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no plan authorised by the Board for other material investments and capital assets as at 30 September 2023.

PLEDGE OF ASSET

As at 30 September 2023, the carrying amount of Group's asset amounted to HK\$225.0 million (2022: HK\$226.1 million) was pledged to secure a mortgage loan granted to the Group. As at 30 September 2023, the Group's secured mortgage loan balance was nil (2022: HK\$3.2 million).

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 30 September 2023.

CAPITAL COMMITMENTS

The Group had capital commitments of HK\$2.8 million as at 30 September 2023 (2022: HK\$2.9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group employed 1,073 staff (2022: 1,112 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options (if any) 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 30 September 2023.

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 30 September 2023.

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

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 30 September 2023.

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 Act (As Revised) 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 30 September 2023.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire 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 30 September 2023 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of this report.

INDEPENDENT AUDITOR

On 11 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, 15 December 2023

Independent Auditor's Report



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TO THE SHAREHOLDERS OF WATER OASIS GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Water Oasis Group Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 62 to 119, which comprise the consolidated statement of financial position as at 30 September 2023, 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 30 September 2023, 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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Key Audit Matters

Revenue recognition from prepaid treatment services

Revenue from treatment services is recognised when such services were 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 30 September 2023, the carrying amount of contract liabilities amounted to HK\$491,632,000. During the year ended 30 September 2023, revenue recognised from treatment services amounted to HK\$823,757,000.

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.

Independent Auditor's Report (Continued)

Key Audit Matters

Impairment assessment of trademarks and goodwill

We identified the impairment assessment of trademarks and goodwill as a key audit matter due to the significant judgments involved in the management's impairment assessment process.

As disclosed in notes 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 30 September 2023. 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\$225,033,000 as at 30 September 2023. 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.

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 the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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 HKSAAs 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 HKSAAs, 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, 15 December 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED
30 SEPTEMBER

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	976,572	841,936
Purchases and changes in inventories of finished goods		(95,653)	(103,031)
Other income	7	10,312	28,666
Other gains or losses	8	(2,833)	(3,688)
Staff costs	15	(426,896)	(326,322)
Depreciation		(160,607)	(163,879)
Finance costs	9	(9,032)	(6,688)
Other expenses	10	(151,895)	(140,006)
Derecognition on receivable	34	–	(33,350)
Profit before taxation		139,968	93,638
Taxation	11	(29,719)	(26,782)
Profit for the year	12	110,249	66,856
Profit (loss) for the year attributable to:			
Owners of the Company		110,320	67,432
Non-controlling interests		(71)	(576)
		110,249	66,856

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

		FOR THE YEAR ENDED 30 SEPTEMBER	
	Notes	2023 HK\$'000	2022 HK\$'000
Profit for the year		110,249	66,856
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(669)	(8,472)
Total comprehensive income for the year		109,580	58,384
Total comprehensive income for the year attributable to:			
Owners of the Company		109,651	58,971
Non-controlling interests		(71)	(587)
		109,580	58,384
Earnings per share			
Basic	13	16.2 HK cents	9.9 HK cents
Diluted	13	16.2 HK cents	9.9 HK cents

Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER			
	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Intangible assets	17	74,727	75,424
Goodwill	18	29,673	29,673
Investment properties	19	225,033	226,068
Property and equipment	20	111,219	130,487
Right-of-use assets	21	316,024	343,014
Rental deposits	22	34,707	37,922
Deferred tax assets	33	5,221	5,651
		796,604	848,239
Current assets			
Inventories	23	46,594	72,293
Trade receivables	24	23,846	18,016
Contract costs	25	42,809	43,241
Financial assets at fair value through profit or loss	26	–	579
Prepayments		13,731	14,105
Other deposits and receivables		25,346	29,224
Tax recoverable		2,066	1,179
Bank balances and cash	27	271,764	234,284
		426,156	412,921
Current liabilities			
Trade payables	28	3,784	2,103
Accruals and other payables		88,528	82,118
Provisions		31,630	32,208
Contract liabilities	29	491,632	490,197
Secured mortgage loan	30	–	3,187
Lease liabilities	21	103,966	101,480
Tax payable		15,908	39,916
		735,448	751,209
Net current liabilities		(309,292)	(338,288)
Total assets less current liabilities		487,312	509,951

Consolidated Statement of Financial Position

(Continued)

		AS AT 30 SEPTEMBER	
	Notes	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	31	68,055	68,055
Reserves		244,023	233,052
Equity attributable to owners of the Company		312,078	301,107
Non-controlling interests		800	871
Total equity		312,878	301,978
Non-current liabilities			
Lease liabilities	21	159,192	184,855
Deferred tax liabilities	33	15,242	23,118
		174,434	207,973
		487,312	509,951

The consolidated financial statements on pages 62 to 119 were approved and authorised for issue by the Board of Directors on 15 December 2023 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									Non-controlling interests HK\$'000	Total HK\$'000
	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		
At 1 October 2021	68,055	1,153	25,649	(1,766)	450	1,797	(589)	257,672	352,421	6,344	358,765
Profit (loss) for the year	-	-	-	-	-	-	-	67,432	67,432	(576)	66,856
Exchange differences arising on translation of foreign operations	-	-	(8,461)	-	-	-	-	-	(8,461)	(11)	(8,472)
Total comprehensive income for the year	-	-	(8,461)	-	-	-	-	67,432	58,971	(587)	58,384
2021 final dividend paid	-	-	-	-	-	-	-	(112,291)	(112,291)	-	(112,291)
Acquisition of additional equity interest in a subsidiary (note 40(b))	-	-	-	-	-	-	2,006	-	2,006	(6,986)	(4,980)
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	2,100	2,100
	-	-	-	-	-	-	2,006	(112,291)	(110,285)	(4,886)	(115,171)
At 30 September 2022	68,055	1,153	17,188	(1,766)	450	1,797	1,417	212,813	301,107	871	301,978
Profit (loss) for the year	-	-	-	-	-	-	-	110,320	110,320	(71)	110,249
Exchange differences arising on translation of foreign operations	-	-	(669)	-	-	-	-	-	(669)	-	(669)
Total comprehensive income for the year	-	-	(669)	-	-	-	-	110,320	109,651	(71)	109,580
2022 final dividend paid	-	-	-	-	-	-	-	(51,041)	(51,041)	-	(51,041)
2023 interim dividend paid	-	-	-	-	-	-	-	(47,639)	(47,639)	-	(47,639)
	-	-	-	-	-	-	-	(98,680)	(98,680)	-	(98,680)
At 30 September 2023	68,055	1,153	16,519	(1,766)	450	1,797	1,417	224,453	312,078	800	312,878

^(a) The capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 23 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 30 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
30 SEPTEMBER

	2023 HK\$'000	2022 HK\$'000
Operating activities		
Profit before taxation	139,968	93,638
Adjustments for:		
Amortisation of intangible assets	697	3,540
Depreciation	160,607	163,879
Loss on fair value change of investment properties	1,035	1,847
Loss on fair value change of financial assets at fair value through profit or loss	–	159
Interest expenses on secured mortgage loan	42	108
Interest expenses on lease liabilities	8,984	6,572
Interest income on bank deposits	(5,012)	(1,465)
Interest income on rental deposits	(963)	(960)
Rent concessions	–	(13,540)
Loss on write-off of intangible assets	–	171
Loss on disposal of financial assets at fair value through profit or loss	211	–
Net loss on disposal/write-off of property and equipment	858	1,352
Impairment loss on right-of-use assets	–	133
Derecognition on receivable	–	33,350
Operating cash flows before movements in working capital	306,427	288,784
Decrease/(increase) in inventories	25,699	(7,048)
(Increase)/decrease in trade receivables	(5,830)	9,595
Decrease in rental deposits, prepayments, other deposits and receivables	8,334	8,070
Decrease in contract costs	432	5,976
Increase/(decrease) in contract liabilities	1,435	(100,338)
Increase/(decrease) in trade payables	1,681	(1,804)
Increase/(decrease) in accruals and other payables	3,950	(17,928)
Cash generated from operations	342,128	185,307
Hong Kong Profits Tax (paid)/refunded	(48,953)	7,451
The PRC Enterprise Income Tax paid	(5,619)	(7,985)
Withholding tax paid	(7,487)	–
Net cash from operating activities	280,069	184,773

Consolidated Statement of Cash Flows

(Continued)

FOR THE YEAR ENDED 30 SEPTEMBER		
	2023 HK\$'000	2022 HK\$'000
Investing activities		
Purchase of property and equipment	(28,974)	(90,421)
Interest received on bank deposits	4,655	1,509
Proceeds on disposal of property and equipment	93	60
Proceeds from disposal of financial assets at fair value through profit or loss	368	–
Net cash used in investing activities	(23,858)	(88,852)
Financing activities		
Dividends paid	(98,680)	(112,291)
Repayment of principal portion of lease liabilities	(107,166)	(97,163)
Repayment of interest portion of lease liabilities	(8,828)	(6,557)
Repayment of secured mortgage loan	(3,187)	(3,407)
Interest paid on secured mortgage loan	(42)	(108)
Contribution from a non-controlling shareholder of a subsidiary	–	2,100
Acquisition of additional equity interest in a subsidiary	–	(4,980)
Net cash used in financing activities	(217,903)	(222,406)
Net increase/(decrease) in cash and cash equivalents	38,308	(126,485)
Cash and cash equivalents at beginning of the year	234,284	369,662
Effect of foreign exchange rate changes	(828)	(8,893)
Cash and cash equivalents at end of the year, represented by bank balances and cash	271,764	234,284

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 27 September 2001 under the Companies Act (As 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 11 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 Mainland China.

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 30 September 2023, 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)”) [Amendments to HKFRSs that are mandatorily effective for the current year](#)

The Group has applied the following 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	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The amended standards that are effective from 1 October 2022 did not have any material impact on the Group’s accounting policies.

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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations (Continued)

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquired 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 initially 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 foregoing, 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 Mainland China 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(a) *Accounting as a lessee (Continued)*

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received 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.

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.

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 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 the management.

As at 30 September 2023, the carrying amount of trademarks and goodwill is HK\$72,644,000 (2022: HK\$72,644,000) and HK\$29,673,000 (2022: HK\$29,673,000) 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 39 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 30 September 2023 and 2022. 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 30 September 2023, the carrying amount of investment properties is HK\$225,033,000 (2022: HK\$226,068,000), with a decrease in fair value of HK\$1,035,000 (2022: decrease of HK\$1,847,000) recognised in profit or loss for the year ended 30 September 2023.

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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Time of revenue recognition						
At a point of time	152,815	170,147	–	–	152,815	170,147
Over time	–	–	823,757	671,789	823,757	671,789
	152,815	170,147	823,757	671,789	976,572	841,936

(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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Sales to external customers	152,815	170,147	823,757	671,789	-	-	976,572	841,936
Inter-segment sales	27,991	34,617	-	-	(27,991)	(34,617)	-	-
Total	180,806	204,764	823,757	671,789	(27,991)	(34,617)	976,572	841,936
Segment results	17,730	16,798	212,030	180,256	-	-	229,760	197,054
Other income							10,312	28,666
Other gains or losses							(2,833)	(3,688)
Finance costs							(9,032)	(6,688)
Derecognition on receivable							-	(33,350)
Central administrative costs							(88,239)	(88,356)
Profit before taxation							139,968	93,638

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, derecognition on receivable 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
OTHER SEGMENT INFORMATION						
Depreciation of property and equipment	14,910	5,320	32,393	33,242	47,303	38,562
Amortisation of intangible assets	7	2,850	690	690	697	3,540

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong, Macau and Mainland China.

The Group's revenue and information about its non-current assets by geographical location (excluding rental deposits, trademarks, goodwill and deferred tax assets) are detailed below:

	Revenue		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong and Macau	904,363	748,177	645,074	694,887
Mainland China	72,209	93,759	9,285	7,462
	976,572	841,936	654,359	702,349

Information about major customers

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

7. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Rent concessions	–	13,951
Subsidies under the Anti-epidemic Fund of the Hong Kong Government	–	7,290
Subsidies for businesses of the Macau Government	–	485
Interest income on bank deposits	5,012	1,465
Rental income	3,502	3,464
PRC Value Added Tax credit/exemption	64	69
Others	1,734	1,942
	10,312	28,666

8. OTHER GAINS OR LOSSES

	2023 HK\$'000	2022 HK\$'000
Loss on fair value change of investment properties	(1,035)	(1,847)
Loss on disposal of financial assets at fair value through profit or loss	(211)	–
Loss on fair value change of financial assets at fair value through profit or loss	–	(159)
Net loss on disposal/write-off of property and equipment	(858)	(1,352)
Net exchange loss	(838)	(197)
Impairment loss on right-of-use assets	–	(133)
Others	109	–
	(2,833)	(3,688)

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expenses on secured mortgage loan	42	108
Interest expenses on lease liabilities	8,984	6,572
Other interest expenses	6	8
	9,032	6,688

10. OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	1,632	1,920
Amortisation of intangible assets	697	3,540
Bank charges	35,027	25,448
Marketing expenses	19,891	20,259
Expenses relating to leases of		
– Short-term lease expense	6,116	4,843
– Low-value lease expense	781	630
– Variable lease payments not included in the measurement of lease liabilities	5,029	5,974
Building management fees, government rent and rates	31,898	29,885
Cleaning and laundry	7,416	5,466
Transportation, storage and delivery	6,648	7,666
Printing, stationery and administration	8,684	8,727
Utilities and telecommunications	5,556	4,595
Others	22,520	21,053
	151,895	140,006

11. TAXATION

	2023 HK\$'000	2022 HK\$'000
Current tax		
– Hong Kong Profits Tax	24,453	14,614
– The PRC Enterprise Income Tax ("EIT")	13,232	7,554
– Over provision in prior years	(425)	(1,009)
	37,260	21,159
Deferred taxation (note 33)	(7,541)	5,623
	29,719	26,782

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

On 21 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 28 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% (2022: 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 33.

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:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation	139,968	93,638
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	23,095	15,450
Effect of different tax rates applied in other jurisdictions	2,033	3,005
Tax effect of income not taxable for tax purpose	(656)	(6,744)
Tax effect of expenses not deductible for tax purpose	1,180	9,759
Utilisation of tax losses previously not recognised	(727)	(453)
Tax effect of tax losses not recognised	2,350	4,014
Over provision in prior years	(425)	(1,009)
Tax effect of withholding tax arising from undistributed profits of subsidiaries	1,378	2,037
Income tax at concessionary rate	(165)	(165)
Others	1,656	888
Taxation for the year	29,719	26,782

12. PROFIT FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Profit for the year is stated at after charging:		
Depreciation:		
– Property and equipment	47,303	38,562
– Right-of-use assets	113,304	125,317
and after crediting:		
Interest income on bank deposits	5,012	1,465
Government subsidies (note)	–	28,419
Rental income from investment properties net of negligible direct operating expenses	3,502	3,464
Rent concessions related to COVID-19	–	13,951

Note: During the year ended 30 September 2022, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK\$20,644,000 under the Employment Support Scheme which were included in staff costs; other subsidies of HK\$7,775,000 under the Anti-epidemic Fund of the Hong Kong Government and subsidies for businesses of the Macau Government which were included in other income. The Group has complied all attached conditions. During the year ended 30 September 2023, there was no government subsidy granted.

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:

	2023 HK\$'000	2022 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	110,320	67,432

	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	680,552,764	680,552,764

14. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Interim dividend declared and paid of 7.0 HK cents (2022: Nil) per share	47,639	–
Final dividend proposed after the end of the reporting period of 7.0 HK cents (2022: 7.5 HK cents) per share	47,639	51,041
	95,278	51,041

The 2023 final dividend of 7.0 HK cents (2022: 7.5 HK cents) per share, amounting to approximately HK\$47,639,000 (2022: HK\$51,041,000), has been proposed by the directors of the Company after the end of the reporting period and is subject to approval by the shareholders in the annual general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30 September 2023 were approximately HK\$98,680,000 (2022: HK\$112,291,000).

15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK\$'000	2022 HK\$'000
Wages, salaries, bonuses and allowances	411,846	334,607
Pension costs – defined contribution plans	15,050	12,359
Government subsidies (note)	–	(20,644)
	426,896	326,322

Note: During the year ended 30 September 2022, HK\$20,644,000 government subsidies was granted due to the COVID-19 pandemic under the Employment Support Scheme and no such government subsidiaries was granted during the year ended 30 September 2023.

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	2023 Total emoluments HK\$'000
Yu Kam Shui, Erastus ⁽⁴⁾⁽⁶⁾	–	897	1,386	–	2,283
Yu Lai Chu, Eileen	–	897	1,386	–	2,283
Lai Yin Ping	–	897	1,386	–	2,283
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
Chan Chi Kau, Johnnie Casire ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	250	–	–	–	250
Tam Siu Kei ⁽⁷⁾	–	4,945	1,386	18	6,349
Total for the year 2023	1,000	7,636	5,544	18	14,198

Name of directors and Chief Executive	Fees HK\$'000	Basic salaries HK\$'000	Bonuses HK\$'000	Retirement benefit costs HK\$'000	2022 Total emoluments HK\$'000
Yu Kam Shui, Erastus ⁽⁴⁾⁽⁶⁾	–	897	3,392	–	4,289
Yu Lai Chu, Eileen	–	897	3,392	–	4,289
Lai Yin Ping	–	897	3,392	–	4,289
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
Chan Chi Kau, Johnnie Casire ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁸⁾	18	–	–	–	18
Tam Siu Kei ⁽⁷⁾	–	4,730	4,442	18	9,190
Total for the year 2022	768	7,421	14,618	18	22,825

- (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
- (8) Appointed on 5 September 2022

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 (2022: four) were directors of the Company. Emoluments payable to the five individuals during the year were as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries and other allowances	18,110	10,957
Bonuses	5,386	14,618
Retirement benefit costs	86	36
	23,582	25,611

Their emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,000,001 – HK\$4,500,000	–	3
HK\$5,000,001 – HK\$5,500,000	2	–
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$9,000,001 – HK\$9,500,000	–	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 1 October 2021	698	73,154	3,631	4,226	81,709
Write-off	(623)	–	–	–	(623)
Exchange realignment	(48)	–	–	–	(48)
At 30 September 2022 and 2023	27	73,154	3,631	4,226	81,038
ACCUMULATED AMORTISATION					
At 1 October 2021	488	–	173	1,390	2,051
Charged for the year	14	–	690	2,836	3,540
Eliminated on write-off	(452)	–	–	–	(452)
Exchange realignment	(35)	–	–	–	(35)
At 30 September 2022	15	–	863	4,226	5,104
Charged for the year	7	–	690	–	697
At 30 September 2023	22	–	1,553	4,226	5,801
IMPAIRMENT					
At 1 October 2021,					
30 September 2022 and 2023	–	510	–	–	510
CARRYING VALUE					
At 30 September 2023	5	72,644	2,078	–	74,727
At 30 September 2022	12	72,644	2,768	–	75,424

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, other intangible assets, property and equipment, right-of-use assets and contract costs acquired on the same business combination during the year ended 30 September 2021, as set out in note 34. 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 30 September 2023 and 2022 is related to a specific product and service line acquired during the year ended 30 September 2010.

The recoverable amount of the trademarks has been assessed together with the goodwill, other intangible assets, property and equipment, right-of-use assets and contract costs acquired on those business combinations, as set out in note 18.

18. GOODWILL

	HK\$'000
COST	
At 1 October 2021, 30 September 2022 and 2023	30,159
IMPAIRMENT	
At 1 October 2021, 30 September 2022 and 2023	486
CARRYING VALUE	
At 30 September 2022 and 2023	29,673

For the year ended 30 September 2023 and 2022, goodwill of HK\$26,661,000 is attributable to three CGUs (CGU1, CGU2 and CGU3) of three brands of product and service lines acquired during the year ended 30 September 2021.

- (a) The goodwill of CGU1 arising on the acquisition of subsidiaries during the year ended 30 September 2021 was amounted to HK\$11,429,000 (note 34).

As at 30 September 2023, 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 at a pre-tax discount rate of 21.8% (2022: 24.1%). A revenue growth rate ranged from 2.0% to 5.0% in the first five years and a long-term growth rate of 2.0% beyond the 5-year period are used in the CGU's cashflows.

- (b) The goodwill of CGU2 arising on the acquisition of subsidiaries during the year ended 30 September 2021 was amounted to HK\$13,374,000 (note 34).

The CGU includes the trademarks as set out in note 17 which was acquired in the same business combination (note 34) during the year ended 30 September 2021. As at 30 September 2023, 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 at a pre-tax discount rate of 19.4% (2022: 19.5%). A revenue growth rate ranged from 3.6% to 7.9% in the first five years and a long-term growth rate of 2.5% beyond the 5-year period are used in the CGU's cashflows.

18. GOODWILL (Continued)

- (c) The goodwill of CGU3 arising on the acquisition of subsidiaries during the year ended 30 September 2021 was amounted to HK\$1,858,000 (note 34).

As at 30 September 2023, 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 at a pre-tax discount rate of 20.7% (2022: 21.1%). A revenue growth rate ranged from 4.0% to 8.0% in the first five years and a long-term growth rate of 2.5% beyond the 5-year period are used in the CGU's cashflows.

The remaining goodwill of HK\$3,012,000 as at 30 September 2023 is attributable to two CGUs (CGU4 and CGU5) of a brand of product and service line acquired during the year ended 30 September 2010.

- (d) The goodwill of CGU4 arising on the acquisition of subsidiaries during the year ended 30 September 2010 was amounted to HK\$273,000.

CGU4 includes the trademarks as set out in note 17 which were acquired in the same business combination during the year ended 30 September 2010. As at 30 September 2023 and 2022, 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 19.0% (2022: 20.7%). A revenue growth rate ranged from 5.0% to 9.0% in the first five years and a long-term growth rate of 2.5% beyond the 5-year period are used in the CGU's cashflows.

- (e) The goodwill of CGU5 arising on the acquisition of subsidiaries during the year ended 30 September 2010 was amounted to HK\$2,739,000.

CGU5 includes the trademarks as set out in note 17 which were acquired in the same business combination during the year ended 30 September 2010. As at 30 September 2023 and 2022, 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 19.0% (2022: 20.7%). A revenue growth rate ranged from 5.0% to 9.0% in the first five years and a long-term growth rate of 2.5% beyond the 5-year period are used in the CGU's cashflows.

Based on the assessment of the recoverable amount of the CGUs, no impairment loss was recognised for the year ended 30 September 2023 (2022: HK\$nil).

For all CGUs, management believes that any reasonably possible change in any of the key assumptions of cash flow projections would not cause the respective carrying amounts of these CGUs to exceed their recoverable amounts. The management of the Company has determined that there are no other impairment required to be recognised for its CGUs containing goodwill or trademarks with indefinite useful lives.

19. INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
FAIR VALUE		
At the beginning of the year	226,068	227,915
Decrease in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(1,035)	(1,847)
At the end of the year	225,033	226,068

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

	2023 HK\$'000	2022 HK\$'000
In Hong Kong	225,033	226,068

The fair value of the Group's investment properties at G/F, 1-5/F, 18 Cochrane Street, Central, Hong Kong as at 30 September 2023 and 2022 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 30 September 2023 and 2022:

Category	Fair value hierarchy	Fair value at		Valuation methodology	Key unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
		2023 HK\$'000	2022 HK\$'000			2023	2022	
Commercial properties	Level 3	225,033	226,068	Income approach	Monthly market rental per square foot	HK\$27 to HK\$323	HK\$27 to HK\$342	The higher the market rental, the higher the fair value
					Market yield	2.7% to 3.7%	2.5% to 3.75%	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 1 October 2021	138,554	4,791	11,413	110,580	10,332	275,670
Additions	71,666	–	1,183	15,147	2,425	90,421
Disposals	–	–	–	(66)	–	(66)
Write-off	(5,899)	–	(7)	(4,577)	(63)	(10,546)
Exchange realignment	–	–	(10)	(237)	(17)	(264)
At 30 September 2022	204,321	4,791	12,579	120,847	12,677	355,215
Additions	13,864	1,000	766	12,883	461	28,974
Disposals	(1,935)	–	–	(331)	(14)	(2,280)
Write-off	(6,226)	–	(79)	(1,752)	(184)	(8,241)
Exchange realignment	–	–	(3)	(63)	(4)	(70)
At 30 September 2023	210,024	5,791	13,263	131,584	12,936	373,598
Accumulated depreciation						
At 1 October 2021	88,810	4,322	10,144	83,209	9,137	195,622
Provided for the year	26,150	469	932	10,414	597	38,562
Eliminated on disposals	–	–	–	(25)	–	(25)
Eliminated on write-off	(5,517)	–	(7)	(3,620)	(31)	(9,175)
Exchange realignment	–	–	(9)	(230)	(17)	(256)
At 30 September 2022	109,443	4,791	11,060	89,748	9,686	224,728
Provided for the year	32,394	28	894	13,237	750	47,303
Eliminated on disposals	(1,935)	–	–	(99)	(1)	(2,035)
Eliminated on write-off	(6,197)	–	(77)	(1,116)	(145)	(7,535)
Exchange realignment	(15)	–	(3)	(60)	(4)	(82)
At 30 September 2023	133,690	4,819	11,874	101,710	10,286	262,379
Carrying value						
At 30 September 2023	76,334	972	1,389	29,874	2,650	111,219
At 30 September 2022	94,878	–	1,519	31,099	2,991	130,487

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:

	2023 HK\$'000	2022 HK\$'000
Leasehold land and buildings	316,024	343,014

	2023 HK\$'000	2022 HK\$'000
At 1 October	343,014	296,480
Additions	27,343	71,789
Depreciation	(113,304)	(125,317)
Lease modification	59,067	101,029
Impairment loss	–	(133)
Exchange adjustment	(96)	(834)
At 30 September	316,024	343,014

Lease liabilities

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

	2023 HK\$'000	2022 HK\$'000
Current liabilities	103,966	101,480
Non-current liabilities	159,192	184,855
	263,158	286,335

During the year ended 30 September 2023, the total cash outflow for leases were HK\$127,920,000 (2022: HK\$115,167,000).

22. RENTAL DEPOSITS

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

23. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods – merchandises	46,594	72,293

24. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	23,846	18,016

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:

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	17,369	10,283
31 to 60 days	1,996	1,752
61 to 90 days	1,177	1,674
91 to 120 days	1,488	1,396
121 to 150 days	1,134	2,180
151 to 180 days	628	660
Over 180 days	54	71
	23,846	18,016

As at 30 September 2023, trade receivables from contracts with customers amounted to HK\$23,846,000 (2022: HK\$18,016,000).

As at 30 September 2023, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$52,000 (2022: HK\$43,000) 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 30 September 2023 are set out in note 39.

25. CONTRACT COSTS

	2023 HK\$'000	2022 HK\$'000
Incremental costs to obtain contracts	42,809	43,241

Contract costs capitalised as at 30 September 2023 and 2022 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\$85,959,000 (2022: HK\$68,371,000). 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

	2023 HK\$'000	2022 HK\$'000
Hong Kong listed equity investments classified as held for trading, at quoted market price	–	579

For the year ended 30 September 2022, these investments represented listed securities in Hong Kong of HK\$579,000, 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.

During the year ended 30 September 2023, all financial assets at fair value through profit or loss were disposed.

27. BANK BALANCES AND CASH

Bank balances are mainly denominated in the functional currencies of respective group entities, which carry interest at 2.1% (2022: 1.1%) 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:

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	3,217	1,799
31 to 60 days	485	299
Over 60 days	82	5
	3,784	2,103

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

	2023 HK\$'000	2022 HK\$'000
Sales of skincare products	6,225	4,047
Provision of treatment services in beauty salons, spas and medical beauty centres	485,407	486,150
	491,632	490,197

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

	2023 HK\$'000	2022 HK\$'000
Sales of skincare products	3,993	5,532
Provision of treatment services in beauty salons, spas and medical beauty centres	441,355	449,780

30. SECURED MORTGAGE LOAN

	2023 HK\$'000	2022 HK\$'000
Secured mortgage loan	–	3,187

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

	2023 HK\$'000	2022 HK\$'000
Within 1 year	–	3,187

The mortgage loan, which is denominated in Hong Kong dollars, is secured by the Group's investment properties with a carrying value of HK\$225,033,000 as at 30 September 2023 (2022: HK\$226,068,000). It bears interest at 2.85% (2022: 2.85%) below the bank's Hong Kong Dollar Best Lending Rate per annum. The effective interest rate is approximately 3.025% (2022: 2.275%) per annum.

31. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 October 2021, 30 September 2022, 1 October 2022 and 30 September 2023	2,000,000,000	200,000
Issued and fully paid:		
At 1 October 2021, 30 September 2022, 1 October 2022 and 30 September 2023	680,552,764	68,055

32. 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 Mainland China subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The Mainland China 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 30 September 2023 and 2022, 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 these two years.

33. 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 Mainland China subsidiaries HK\$'000	Contract liabilities HK\$'000	Total HK\$'000
At 1 October 2021	(1,461)	(9,718)	(6,775)	5,778	(12,176)
Exchange realignment	–	–	717	(385)	332
Charged to the consolidated statement of profit or loss and other comprehensive income	(2,871)	–	(2,037)	(715)	(5,623)
At 30 September 2022	(4,332)	(9,718)	(8,095)	4,678	(17,467)
Exchange realignment	–	–	56	(151)	(95)
Charged to the consolidated statement of profit or loss and other comprehensive income	1,314	–	(1,378)	118	54
Withholding tax	–	–	7,487	–	7,487
At 30 September 2023	(3,018)	(9,718)	(1,930)	4,645	(10,021)

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:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	5,221	5,651
Deferred tax liabilities	(15,242)	(23,118)
	(10,021)	(17,467)

At the end of the reporting period, the Group had unused tax losses of approximately HK\$158,798,000 (2022: HK\$150,780,000) 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 30 September 2023 and 2022.

At the end of the reporting period, tax losses of approximately HK\$6,266,000 (2022: HK\$5,347,000) from non-Hong Kong incorporated subsidiaries will be expired starting from 2024 up to the end of 2028 (2022: starting from 2023 up to the end of 2027). The remaining portion of unused tax losses may be carried forward indefinitely.

34. ACQUISITION OF SUBSIDIARIES

On 29 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. On 28 June 2021, the completion of Millistrong took place (“Completion”). Millistrong has been accounted for as a wholly-owned subsidiary of the Group since Completion.

Subsequent to the Completion, disputes (the “Disputes”) have arisen between the parties relating primarily to the approach to the preparation of the completion accounts and determination of the total consideration.

Having used the best endeavours to attempt to resolve the Disputes but without success, the Company, the vendor and the guarantors were of the view that it is in their respective best interest to avoid costly and lengthy legal actions by entering into a deed of settlement dated 23 June 2022 (the “Settlement Deed”) for full and final settlement of the Disputes. Pursuant to the Settlement Deed, the parties agreed and confirmed, among others:

- (i) the consideration for the acquisition shall be finally and conclusively determined as and fixed at HK\$42,350,000 (the “Final Consideration”), on condition that the special dividend payable to the vendor of HK\$9,000,000 that was recognised as at 30 September 2021 being waived. With the dispensation of the adjustment mechanism under the Sale and Purchase Agreement, there would not be any contingent consideration. The balance of the Final Consideration payable by the Company is HK\$8,600,000; and
- (ii) the Company shall pay HK\$70,000 to the vendor for the settlement of the vendor’s legal fees in respect of the Settlement Deed.

Since the Disputes and Settlement Deed have arisen subsequent to the completion date of 28 June 2021, the Final Consideration is not measurement period adjustment. According to HKFRS 9, an entity shall derecognise a financial assets when, and only when the contractual rights to the cash flows from the financial asset expire and the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss. As a result, the Company derecognised receivable of HK\$33,750,000 which was previously paid to the vendor pursuant to the provisions of Sale and Purchase Agreement resulting in an expense of HK\$33,350,000 being charged to profit and loss for the year ended 30 September 2022. The balance of the Final Consideration payable by the Company of HK\$8,600,000 was paid to the vendor on 23 June 2022.

35. 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:

	2023 HK\$'000	2022 HK\$'000
Investment properties	225,033	226,068

36. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital Commitments

	2023 HK\$'000	2022 HK\$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	2,824	2,924

(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 Rental receipts	2023 HK\$'000	2022 HK\$'000
Not later than 1 year	2,468	3,418
More than 1 year but not later than 2 years	678	1,820
More than 2 years but not later than 3 years	–	300
	3,146	5,538

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable, included in accruals and other payables HK\$'000	Secured mortgage loan HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 October 2021	–	6,594	–	229,991	236,585
Additions to lease liabilities	–	–	–	68,081	68,081
Lease modifications	–	–	–	99,817	99,817
Rent concessions	–	–	–	(13,540)	(13,540)
Interest expenses on secured mortgage loan	108	–	–	–	108
Interest expenses on lease liabilities	–	–	–	6,572	6,572
Exchange adjustment	–	–	–	(866)	(866)
Financing cash flows	(108)	(3,407)	(112,291)	(103,720)	(219,526)
Dividend declared	–	–	112,291	–	112,291
At 30 September 2022	–	3,187	–	286,335	289,522
Additions to lease liabilities	–	–	–	27,048	27,048
Lease modifications	–	–	–	57,027	57,027
Interest expenses on secured mortgage loan	42	–	–	–	42
Interest expenses on lease liabilities	–	–	–	8,984	8,984
Exchange adjustment	–	–	–	(242)	(242)
Financing cash flows	(42)	(3,187)	(98,680)	(115,994)	(217,903)
Dividend declared	–	–	98,680	–	98,680
At 30 September 2023	–	–	–	263,158	263,158

38. 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.

39. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Amortised cost	340,168	307,452
Fair value through profit or loss	–	579
Financial liabilities		
Amortised cost	281,992	305,369

(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 30 September 2023, 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.

39. 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 Mainland China which accounted for 96% (2022: 94%) of the total trade receivables as at 30 September 2023.

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.

39. 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 2023 HK\$'000	2022 HK\$'000
Financial assets at amortised cost					
Trade receivables	N/A	low risk (note (a))	Lifetime ECL	23,846	18,016
Other receivables	N/A	low risk (note (b))	12m ECL	1,958	8,905
Deposits	N/A	low risk (note (b))	12m ECL	43,347	46,858
Bank balances	Aa2-A3	N/A	12m ECL	271,017	233,673

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 30 September 2023 and 2022, 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 30 September 2023 (2022: HK\$nil).

39. 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:

	2023 HK\$'000	2022 HK\$'000
Assets		
United States Dollar ("US\$")	569	1,014
Liabilities		
US\$	1,379	838

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:

	2023 HK\$'000	2022 HK\$'000
Financial assets	53,379	81,326
Financial liabilities	–	3,187

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 30 September 2022 would decrease by HK\$13,000 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.

39. 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 30 September 2022 and 30 September 2023, 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 30 September 2023 HK\$'000
2023							
Trade payables	-	3,784	-	-	-	3,784	3,784
Other payables	-	15,050	-	-	-	15,050	15,050
Lease liabilities	6.51	112,439	85,014	82,834	-	280,287	263,158
		131,273	85,014	82,834	-	299,121	281,992
	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 30 September 2022 HK\$'000
2022							
Trade payables	-	2,103	-	-	-	2,103	2,103
Other payables	-	13,744	-	-	-	13,744	13,744
Lease liabilities	5.21	108,198	84,592	104,015	4,453	301,258	286,335
Secured mortgage loan	2.275	3,223	-	-	-	3,223	3,187
		127,268	84,592	104,015	4,453	320,328	305,369

(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.

40. 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 16 December 1999	Ordinary shares US\$30,000	100%	Investment holding in Hong Kong
INDIRECTLY HELD:				
Water Oasis Holdings Limited	British Virgin Islands 16 December 1999	Ordinary share US\$1	100%	Investment holding in Hong Kong
Oasis Spa Holdings Limited	British Virgin Islands 16 December 1999	Ordinary share US\$1	100%	Investment holding in Hong Kong
Oasis-Beauty.com Holdings Limited	British Virgin Islands 16 December 1999	Ordinary share US\$1	100%	Investment holding in Hong Kong
Water Oasis China (BVI) Limited	British Virgin Islands 12 October 2000	Ordinary share US\$1	100%	Investment holding in Hong Kong
OBS Company Limited	Hong Kong 26 July 2000	Ordinary shares HK\$2	100%	Property holding in Hong Kong
Water Oasis Company Limited	Hong Kong 6 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 24 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 24 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 (<i>note b</i>)	Samoa 5 April 2000	Ordinary shares US\$101	100%	Investment holding in Hong Kong
Claire International Limited	Hong Kong 22 October 1999	Ordinary shares HK\$2	100%	Property holding in Hong Kong

40. 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 18 October 2000	Ordinary shares HK\$2	100%	Operation of an online florist shop in Hong Kong
Water Oasis (Macau) Company Limited	Macau 19 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 13 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 8 March 2002	Ordinary share US\$1	100%	Inactive
Master Advance Limited	Hong Kong 28 June 2002	Ordinary shares HK\$1,000,000	100%	Property holding in Hong Kong
奥思美容品(上海)有限公司 (notes a and b)	The PRC 9 February 2002	US\$200,000	100%	Inactive
奥泉(上海)商贸有限公司 (note a)	The PRC 9 March 2006	US\$200,000	100%	Retail sales of skincare products and operating of beauty salons in Mainland China
Top Distinct Limited	Hong Kong 26 January 2006	Ordinary shares HK\$2,000,000	100%	Operation of beauty salons in Hong Kong
Oasis Medical Clinic Company Limited	Hong Kong 6 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 24 June 2008	Ordinary shares HK\$100,000	100%	Investment holding in Mainland China
WO Central China Company Limited	Hong Kong 24 June 2008	Ordinary shares HK\$100,000	100%	Investment holding in Mainland China
WO South China Company Limited	Hong Kong 24 June 2008	Ordinary shares HK\$100,000	100%	Investment holding in Mainland China
Oasis Cosmetic Holdings Company Limited	Hong Kong 17 June 2008	Ordinary share HK\$1	100%	Investment holding in Mainland China

40. 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 a)	The PRC 5 February 2009	US\$500,000	100%	Inactive
伊亮諾化妝品商貿(上海)有限公司 (note a)	The PRC 5 February 2009	US\$500,000	100%	Inactive
伊翠露化妝品商貿(上海)有限公司 (note a)	The PRC 5 February 2009	US\$500,000	100%	Inactive
Water Oasis E.L. (HK) Company Limited	Hong Kong 19 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 a)	The PRC 22 April 2009	US\$1,400,000	100%	Inactive
Water Oasis Shanghai Holdings Limited (note b)	Hong Kong 9 September 2009	Ordinary share HK\$1	100%	Inactive
Glycel Holdings Company Limited	British Virgin Islands 20 April 2010	Ordinary share US\$1	100%	Investment holding in Hong Kong
Progress Success Limited	British Virgin Islands 16 March 2010	Ordinary share US\$1	100%	Investment holding in Hong Kong
Laboratoire Glycel Societe Anonyme	Liechtenstein 10 September 1997	Normal shares CHF50,000	100%	Holding of trademarks
Glycel Laboratoire SA	Switzerland 18 November 2005	Normal shares CHF100,000	100%	Holding of trademarks
Glycel Company Limited	Hong Kong 19 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 18 July 2013	Ordinary shares MOP\$100,000	100%	Inactive
Fancy Cheer Limited	Hong Kong 5 January 2015	Ordinary shares HK\$10,000	70%	Production and sales of cold-pressed fruit juice and healing tea in Hong Kong
Oasis Billion Limited	Hong Kong 22 August 2019	Ordinary shares HK\$7,000,000	70%	Provision of dental services in Hong Kong
Aesmedic Centre Limited	Hong Kong 25 July 2006	Ordinary shares HK\$100	100%	Provision of medical beauty services in Hong Kong

40. 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 3 July 2015	Ordinary shares HK\$10,000	100%	Provision of medical and aesthetic services in Hong Kong
Billion Trend Creation Limited	Hong Kong 6 August 2009	Ordinary shares HK\$100	100%	Investment holding in Hong Kong
Frederique Academy of Phplus Limited	Hong Kong 30 March 2006	Ordinary shares HK\$100	100%	Inactive
Frederique Limited	Hong Kong 24 July 2015	Ordinary shares HK\$100	100%	Sales of skincare products in Hong Kong
Haba Hong Kong Limited	Hong Kong 6 September 2007	Ordinary share HK\$1	100%	Sales of skincare products in Hong Kong
Hongkong Billion Sky Enterprise Limited	Hong Kong 6 September 2007	Ordinary share HK\$1	100%	Operation of beauty salons in Hong Kong
Kong Hong Clinic and Ambulatory Medical Centre Limited (note c)	Hong Kong 6 October 2008	Ordinary share HK\$1	100%	Deregistration
Medic i-Laser Limited	Hong Kong 30 March 2006	Ordinary shares HK\$100	100%	Provision of aesthetic services in Hong Kong
Millistrong China Limited	Hong Kong 11 December 2008	Ordinary shares HK\$100	100%	Investment holding in Hong Kong
Millistrong Holdings Limited	Hong Kong 30 September 2008	Ordinary shares HK\$100	100%	Investment holding in Hong Kong
Millistrong International Limited	Hong Kong 16 July 2003	Ordinary shares HK\$100	100%	Operation of beauty salons in Hong Kong
Philosophy Treatment Spa Limited	Hong Kong 30 March 2006	Ordinary shares HK\$100	100%	Investment holding in Hong Kong
Phplus Limited	Hong Kong 1 January 2018	Ordinary share HK\$1	100%	Management company in Hong Kong
蔓時哲貿易(上海)有限公司 (note a)	The PRC 23 April 2008	US\$750,000	100%	Sales of skincare products in Mainland China

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

Note a: These companies are wholly foreign owned enterprises.

Note b: The Group acquired the remaining 9.9% equity interest of Water Oasis (China) Holdings Limited on 20 January 2022, which holds 100% equity interest of 奧思美容品(上海)有限公司 and Water Oasis Shanghai Holdings Limited.

Note c: The Company had been deregistered on 5 May 2023.

41. RELATED PARTY TRANSACTION

Compensation of Key Management Personnel

	2023 HK\$'000	2022 HK\$'000
Directors' fees	1,000	768
Basic salaries	7,636	7,421
Bonuses	5,544	14,618
Retirement benefit costs	18	18
	14,198	22,825

The related party transaction disclosed above was a fully exempted connected transaction under the Chapter 14A of Listing Rules because it was qualified for de minimis transaction.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 30 SEPTEMBER

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current asset			
Investment in a subsidiary		3,000	3,000
Current assets			
Prepayments		310	183
Amounts due from subsidiaries	a	159,356	494,693
Bank balances		132	1,114
		159,798	495,990
Current liabilities			
Accruals and other payables		717	1,178
Amount due to a subsidiary	a	554	319,871
		1,271	321,049
Net current assets		158,527	174,941
Total assets less current liabilities		161,527	177,941
Capital and reserves			
Share capital		68,055	68,055
Reserves	b	93,472	109,886
Total equity		161,527	177,941

42. 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 1 October 2021	1,153	450	136,574	138,177
Profit and total comprehensive income for the year	–	–	84,000	84,000
2021 final dividend paid	–	–	(112,291)	(112,291)
At 30 September 2022	1,153	450	108,283	109,886
Profit and total comprehensive income for the year	–	–	82,266	82,266
2022 final dividend paid	–	–	(51,041)	(51,041)
2023 interim dividend paid	–	–	(47,639)	(47,639)
At 30 September 2023	1,153	450	91,869	93,472

43. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event after the reporting period.

Five-Year Financial Summary

		Year ended 30 September			
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
RESULTS					
Revenue	976,572	841,936	829,935	531,374	763,981
Profit before taxation	139,968	93,638	209,841	36,586	130,607
Taxation	(29,719)	(26,782)	(39,803)	(9,126)	(23,248)
Profit for the year	110,249	66,856	170,038	27,460	107,359
Profit (loss) for the year attributable to:					
Owners of the Company	110,320	67,432	170,340	27,736	107,690
Non-controlling interests	(71)	(576)	(302)	(276)	(331)
	110,249	66,856	170,038	27,460	107,359
STATEMENT OF FINANCIAL POSITION					
Total assets	1,222,760	1,261,160	1,358,216	1,194,589	973,548
Total liabilities	(909,882)	(959,182)	(999,451)	(971,480)	(688,515)
	312,878	301,978	358,765	223,109	285,033
Equity attributable to					
Owners of the Company	312,078	301,107	352,421	216,438	278,072
Non-controlling interests	800	871	6,344	6,671	6,961
	312,878	301,978	358,765	223,109	285,033

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
Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.

AUDIT COMMITTEE

Wong Lung Tak, Patrick, B.B.S., J.P. (*Chairman*)
Wong Chun Nam, Duffy, B.B.S., J.P.
Wong Chi Keung
Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.

REMUNERATION COMMITTEE

Wong Chun Nam, Duffy, B.B.S., J.P. (*Chairman*)
Wong Lung Tak, Patrick, B.B.S., J.P.
Wong Chi Keung
Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.

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.
Chan Chi Kau, Johnnie Casire, S.B.S., 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.
Chan Chi Kau, Johnnie Casire, S.B.S., 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
Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.

COMPANY SECRETARY

Lee Pui Shan (*resigned with effect from 2 January 2024*)
Wong Hei Pui, Andy (*appointed with effect from 2 January 2024*)

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor

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
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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