

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Water OASIS Group

奧 思 集 團

WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST MARCH, 2020

FINANCIAL HIGHLIGHTS

- The Group's turnover for the period decreased by 4.0% to approximately HK\$365.9 million when compared with that of the same period last year. The decrease was a reflection of the challenges encountered by all businesses in Hong Kong as a result of the social unrest events and the outbreak of COVID-19 happened during this six months period.
- The Group's product sales mix rose to 20.1% from 19.6% while beauty services mix was adjusted to 79.9% from 80.4% of the same period last year.
- The Group correspondingly took decisive steps to control its costs including advertising, staff and rental. Total operating expenses for the period under review reduced by approximately 3.8% when compared year on year. These were achieved through switching of expensive traditional media campaign to social media channels and online platforms; cost-effective measures on redeployment of manpower and through negotiation with various landlords on reducing rentals and closing of non-performing stores.
- Profit for the period amounted to HK\$43.8 million. Excluding the loss on fair value change of investment properties, profit for the period amounted to HK\$47.3 million, representing a decrease of 14.1% when compared with that of the same period last year.
- Recommend the payment of an interim dividend of 6.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- For the period under review, both Glycel and Oasis Medical Centre managed to maintain a slight growth in turnover when compared year on year, despite the Group encountered an overall decrease in turnover.
- The Group has commenced its new Oasis Hair Spa operation in 2019 and the performance so far was encouraging.
- As at 31st March, 2020, the Group operates 12 Glycel Skinspas; 14 Oasis Beauty centres; 2 Oasis Homme centres; 3 Oasis Hair Spas; 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC and 1 Oasis Beauty Store in Macau.

Product Sales Business

- Although product sales for the Group recorded a mild decrease of 1.7%, Glycel managed to record an increase in product sales with a double digit growth. Sales performance on online platform had also increased by around 150% during the period under review.
- During the period under review, the Group has opened three retail outlets, one Erno Laszlo and one Glycel outlet located at New Town Plaza Shatin as well as one Erno Laszlo outlet in New Yaohan located in Macau.
- As at 31st March, 2020, the Group operated a total of 15 retail outlets for all brands located in Hong Kong and Macau.

Outlook

- The Group intends to continue with planned new store openings in near future with its combined Oasis Beauty and Oasis Medical Centre flagship outlets to be opened in the Langham Place in Mongkok, located next to our Glycel Skinspa. In addition, another Glycel outlet is also planned to open in Tseung Kwan O in the second half of the year.
- Besides, the Group will continue to strengthen its e-commerce and online shopping, coupled with efficient home delivery options.
- The Group shall continue to adopt prudent financial management with cost control measures implemented during this challenging environment. Meanwhile, the Group will do its utmost to create a safe, hygienic shopping and beauty treatment environment to our customers to make them feel relaxed and confident.

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Unaudited | |
|--|--------------|-------------------------|-----------------|
| | | Six months ended | |
| | | 31st March, | |
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Turnover | 2 | 365,939 | 381,283 |
| Purchases and changes in inventories of finished goods | | (30,716) | (27,756) |
| Other income | | 5,562 | 4,714 |
| Other gains or losses | | (4,204) | (82) |
| Staff costs | | (159,882) | (164,900) |
| Depreciation of property and equipment and right-of-use assets | | (48,820) | (13,554) |
| Finance costs | | (3,941) | (177) |
| Other expenses | | (67,463) | (112,508) |
| Profit before taxation | | 56,475 | 67,020 |
| Taxation | 3 | (12,635) | (11,987) |
| Profit for the period | 4 | 43,840 | 55,033 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 44,000 | 55,094 |
| Non-controlling interests | | (160) | (61) |
| | | 43,840 | 55,033 |
| Earnings per share | | | |
| Basic and diluted | 5 | 6.5 HK cents | 8.1 HK cents |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

Basis of Preparation

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

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

Principal Accounting Policies

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

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

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

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17.

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

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

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

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

2. TURNOVER AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, in respect of the Group's business operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

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

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

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

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

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

Turnover recognised during the period is as follows:

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

3. TAXATION

| | Six months ended | |
|----------------|------------------|----------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| Current period | 9,259 | 13,365 |
| Deferred tax | <u>3,376</u> | <u>(1,378)</u> |
| | <u>12,635</u> | <u>11,987</u> |

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

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2019: 25%) on the assessable profits.

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

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

4. PROFIT FOR THE PERIOD

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

5. EARNINGS PER SHARE

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

| | Six months ended 31st March, | |
|---|---------------------------------|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 |
| Earnings for the purposes of basic and diluted earnings per share | 44,000 | 55,094 |
| | | |
| | Number of shares | |
| | 2020 | 2019 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 680,552,764 | 680,113,753 |
| Effect of dilutive potential ordinary shares – share options of the Company | <u>–</u> | <u>389,389</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 680,552,764 | 680,503,142 |

6. DIVIDENDS

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

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

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

7. TRADE RECEIVABLES

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

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

8. TRADE PAYABLES

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

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

9. EVENT AFTER THE REPORTING PERIOD

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

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

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

RESULTS AND DIVIDEND

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Beauty Services Business

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

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

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

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

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

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

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

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

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

Product Sales Business

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

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

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

OUTLOOK

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

AUDIT COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period under review.

COMPLIANCE WITH THE 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, all directors confirmed that they had complied with the Model Code for transactions in the Company’s securities throughout the period under review.

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEx”) at www.hkexnews.hk and the designated website of the Company at www.wateroasis.com.hk respectively. The interim report of the Company for the six months ended 31st March, 2020 will be dispatched to the shareholders of the Company and published on the respective websites of HKEx and the Company in due course.

By Order of the Board
WATER OASIS GROUP LIMITED
Tam Siu Kei
Executive Director and Chief Executive Officer

Hong Kong, 22nd May, 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yu Kam Shui, Erastus, Mr. Tam Siu Kei, Ms. Yu Lai Chu, Eileen and Ms. Lai Yin Ping. The independent non-executive directors of the Company are Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, B.B.S., J.P. and Dr. Wong Chi Keung.