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Water OASIS Group

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## **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, 2021**

#### **FINANCIAL HIGHLIGHTS**

- Group's revenue for the period fell by 14.0% to approximately HK\$314.9 million when compared with that of the same period last year. The decrease on both product and beauty services segments were significantly affected by ongoing anti-pandemic activities, including the reintroduction of stringent measures to combat new waves of the virus over the holiday season.
- Group's product sales mix decreased to 19.9% from 20.1% while beauty services mix was adjusted to 80.1% from 79.9% of the same period last year.
- Group's total costs consisting of advertising, rental, staff and other costs as a whole decreased by approximately 17.0% on a period comparison basis which included the Government's Employment Support Scheme subsidy. Besides, the Group also received anti-epidemic subsidies for the retail and beauty service industry from the Government during the period.
- Profit for the period amounted to HK\$58.8 million, representing an increase of 34.1% when compared with that of the same period last year.
- Recommend the payment of an interim dividend of 5.5 HK cents per share.

## **OPERATION HIGHLIGHTS**

### **Beauty Services Business**

- Due to COVID-19, all the Group's services business brands in Hong Kong during the period recorded a decrease in revenue when compared with that of last year, except in the PRC.
- The Oasis Beauty and Oasis Medical Centre outlets situated in the Fee Tat Commercial Centre in Mong Kok both resituated to larger and more prestigious locations in Mong Kok's Langham Place in the second half of financial year 2020, gaining increased exposure and excellent brand recognition.
- Two new Glycel outlets have been added to the range recently including one opened in Park Central in Tseung Kwan O in August 2020, just before the period under review and a second Glycel outlet opening in The LOHAS in LOHAS Park in November 2020.
- As at 31st March, 2021, the Group operates 14 Glycel Skinspas; 14 Oasis Beauty centres; 2 Oasis Homme centres; 4 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**

- Product sales for the Group in Hong Kong during the period also recorded a decrease across all brands except PRC. Sales performance on online platform recorded a promising increase of approximately 56% during the period.
- As at 31st March, 2021, the Group operated a total of 11 retail outlets for all brands located in Hong Kong and Macau.

### **Outlook**

- The Group has high confidence in the value of all its brands and will continue to open new outlets tapping into new growth opportunities.
- Two major new outlets will be opened in the coming 6 months including a new 6,000 sq. ft. flagship Glycel Skinspa, with an Oasis Medical Centre included, in the Festival Walk shopping centre in Kowloon Tong, replacing the existing 1,600 sq. ft. Glycel Skinspa, as well as a new Oasis Beauty centre in Park Central in Tseung Kwan O, supplementing its existing Glycel outlet in the same shopping mall.
- In September 2021, the Group plans to open a Glycel Skinspa in the new Nova Mall on Taipa Macau, as well as both Glycel and Eurobeauté product counters in the popular New Yaohan department store located in the same Mall.

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, 2021.

The unaudited consolidated results have been reviewed by the Company’s Audit Committee.

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31st March,</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	2	<b>314,857</b>	365,939
Purchases and changes in inventories of finished goods		<b>(24,828)</b>	(30,716)
Other income		<b>14,245</b>	5,562
Other gains or losses		<b>(174)</b>	(4,204)
Staff costs		<b>(107,131)</b>	(159,882)
Depreciation		<b>(62,176)</b>	(48,820)
Finance costs		<b>(3,549)</b>	(3,941)
Other expenses		<b>(59,823)</b>	(67,463)
		<u>71,421</u>	56,475
Profit before taxation		<b>71,421</b>	56,475
Taxation	3	<b>(12,621)</b>	(12,635)
		<u>58,800</u>	43,840
Profit for the period	4	<b>58,800</b>	43,840
		<u>58,800</u>	43,840
Profit (loss) for the period attributable to:			
Owners of the Company		<b>58,980</b>	44,000
Non-controlling interests		<b>(180)</b>	(160)
		<u>58,800</u>	43,840
		<u>58,800</u>	43,840
Earnings per share			
Basic	5	<b>8.7 HK cents</b>	6.5 HK cents
Diluted	5	<b>8.7 HK cents</b>	6.5 HK cents
		<u>8.7 HK cents</u>	6.5 HK cents
		<u>8.7 HK cents</u>	6.5 HK cents

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st March,</b>	
	<b>2021</b>	2020
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Profit for the period	<b>58,800</b>	43,840
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>1,897</u>	<u>(287)</u>
Total comprehensive income for the period	<u><b>60,697</b></u>	<u>43,553</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	<b>60,895</b>	43,710
Non-controlling interests	<u>(198)</u>	<u>(157)</u>
	<u><b>60,697</b></u>	<u>43,553</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	Unaudited As at 31st March, 2021 <i>HK\$'000</i>	Audited As at 30th September, 2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		59,117	59,075
Goodwill		3,012	3,012
Investment properties		227,025	227,188
Property and equipment		54,949	51,873
Right-of-use assets		223,678	242,374
Rental deposits		29,681	27,389
Deferred tax assets		8,234	7,792
		<b>605,696</b>	618,703
<b>Current assets</b>			
Inventories		47,050	48,494
Trade receivables	7	16,366	19,766
Contract costs		54,565	57,815
Financial assets at fair value through profit or loss		1,190	–
Prepayments		7,464	7,624
Other deposits and receivables		36,365	21,074
Tax recoverable		7,480	2,597
Bank balances and cash		437,367	418,516
		<b>607,847</b>	575,886
<b>Current liabilities</b>			
Trade payables	8	7,667	4,778
Accruals and other payables		78,596	91,566
Contract liabilities		639,169	649,479
Secured mortgage loan		3,370	3,334
Lease liabilities		97,211	99,285
Tax payable		1,860	4,981
		<b>827,873</b>	853,423
<b>Net current liabilities</b>		<b>(220,026)</b>	<b>(277,537)</b>
<b>Total assets less current liabilities</b>		<b>385,670</b>	341,166
<b>Capital and reserves</b>			
Share capital		68,055	68,055
Reserves		209,278	148,383
<b>Equity attributable to owners of the Company</b>		<b>277,333</b>	216,438
<b>Non-controlling interests</b>		<b>6,473</b>	6,671
<b>Total equity</b>		<b>283,806</b>	223,109
<b>Non-current liabilities</b>			
Secured mortgage loan		4,899	6,594
Lease liabilities		80,375	95,826
Deferred tax liabilities		16,590	15,637
		<b>101,864</b>	118,057
		<b>385,670</b>	341,166

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, 2020.

### Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2021 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2020.

### New and amendments to Hong Kong Financial Reporting Standards (“HKFRS(s)”)

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

### Disaggregation of revenue from contracts with customers

Revenue recognised during the period is as follows:

	Six months ended 31st March,					
	Product segment		Service segment		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Timing of revenue recognition</b>						
At a point of time	<b>62,505</b>	73,400	–	–	<b>62,505</b>	73,400
Over time	–	–	<b>252,352</b>	292,539	<b>252,352</b>	292,539
Total	<b>62,505</b>	73,400	<b>252,352</b>	292,539	<b>314,857</b>	365,939

## Performance obligations for contracts with customers

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

	Product segment		Service segment		Elimination		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31st March,		31st March,		31st March,		31st March,	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	62,505	73,400	252,352	292,539	-	-	314,857	365,939
Inter-segment sales	9,568	13,276	-	-	(9,568)	(13,276)	-	-
Total	<u>72,073</u>	<u>86,676</u>	<u>252,352</u>	<u>292,539</u>	<u>(9,568)</u>	<u>(13,276)</u>	<u>314,857</u>	<u>365,939</u>
Segment results	<u>11,766</u>	<u>16,974</u>	<u>83,775</u>	<u>87,615</u>	<u>-</u>	<u>-</u>	<u>95,541</u>	<u>104,589</u>
Other income							14,245	5,562
Other gains or losses							(174)	(4,204)
Finance costs							(3,549)	(3,941)
Central administrative costs							<u>(34,642)</u>	<u>(45,531)</u>
Profit before taxation							<u>71,421</u>	<u>56,475</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.

## Geographical information

The Group's operations are located in Hong Kong, Macau and the People's Republic of China (the "PRC"). The PRC includes Mainland China but excludes Hong Kong and Macau.

The Group's revenue by geographical location is detailed below:

	six months ended	
	31st March,	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong and Macau	291,568	352,000
The PRC	<u>23,289</u>	<u>13,939</u>
	<u>314,857</u>	<u>365,939</u>



### 3. TAXATION

	Six months ended	
	31st March,	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Current period	12,036	9,259
Deferred tax	585	3,376
	<u>12,621</u>	<u>12,635</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%) on the assessable profits.

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

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

	<b>Six months ended</b>	
	<b>31st March,</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period is stated at after charging:		
Amortisation of contract costs	<b>29,762</b>	34,090
Loss on fair value change of investment properties	<b>163</b>	3,440
Loss on fair value of financial assets at fair value through profit or loss	<b>136</b>	–
Write-off of property and equipment	<b>128</b>	257
Depreciation:		
– Property and equipment	<b>12,368</b>	11,331
– Right-of-use assets	<b>49,808</b>	37,489
Net exchange loss	–	507
and after crediting:		
Net exchange gain	<b>190</b>	–
Gain on disposal of property and equipment	<b>63</b>	–
Interest income on bank deposits	<b>836</b>	2,272
Government subsidies	<b>18,444</b>	–
Rental income from investment properties net of negligible direct operating expenses	<b>1,707</b>	1,574
Rent concessions related to COVID-19	<b>5,030</b>	–
Other rent concessions	–	944
	<b>=====</b>	<b>=====</b>

## 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:

	<b>Six months ended</b>	
	<b>31st March,</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purposes of basic and diluted earnings per share	<b>58,980</b>	44,000
	<u><u>58,980</u></u>	<u><u>44,000</u></u>
	<b>Number of shares</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>680,552,764</b>	680,552,764
	<u><u>680,552,764</u></u>	<u><u>680,552,764</u></u>

## 6. DIVIDENDS

	<b>Six months ended</b>	
	<b>31st March,</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared after the end of the reporting period of 5.5 HK cents (2020: 6.0 HK cents) per share	<b>37,430</b>	40,833
	<u><u>37,430</u></u>	<u><u>40,833</u></u>

During the six months ended 31st March, 2021, no final dividend (2020: 7.0 HK cents per share) was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2020 (2020: HK\$47,639,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2019).

At the Board meeting held on 28th May, 2021, the directors declared an interim dividend of 5.5 HK cents (2020: 6.0 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 Wednesday, 16th June, 2021. 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, net of allowance for credit losses, presented based on the invoice dates, at the end of the reporting period:

	<b>As at 31st March, 2021 HK\$'000</b>	<b>As at 30th September, 2020 HK\$'000</b>
0 to 30 days	13,115	15,492
31 to 60 days	666	473
61 to 90 days	24	498
91 to 120 days	584	1,899
121 to 150 days	1,963	1,388
Over 150 days	14	16
	<u>16,366</u>	<u>19,766</u>

## 8. TRADE PAYABLES

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

	<b>As at 31st March, 2021 HK\$'000</b>	<b>As at 30th September, 2020 HK\$'000</b>
0 to 30 days	2,789	3,746
31 to 60 days	4,878	919
Over 60 days	–	113
	<u>7,667</u>	<u>4,778</u>

## 9. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event after the reporting period.

## **RESULTS AND DIVIDEND**

For the six months ended 31st March, 2021, the Group's revenue fell by 14.0% by comparison with the same period last year, to approximately HK\$314.9 million (six months ended 31st March, 2020: HK\$365.9 million). This reflected the fact that the current six-month period was significantly affected by ongoing anti-pandemic activities, including the reintroduction of stringent measures to combat new waves of the virus over the holiday season. These restrictions had an inevitable effect on beauty services patronage and retail shopping. Profit for the period amounted to HK\$58.8 million, as against HK\$43.8 million for the same period last year. As at 31st March, 2021, the Group had approximately HK\$437.4 million in cash in hand.

The Board has resolved to declare an interim dividend of 5.5 HK cents per share (six months ended 31st March, 2020: 6.0 HK cents per share) for the six months ended 31st March, 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The extraordinary events of the past year, which continued into the period under review, are reflected in a year-on-year revenue downturn in the Group's first half results. Nevertheless, the Group has reason to be quietly pleased with its overall performance. Despite the fall in revenue, patronage and sales were quick to recover in periods when anti-pandemic measures were eased. The Group has been active in brand promotion and in maintaining good online exposure. It has also been diligently planning for the future while the market has been soft, leveraging the weaker rental market to open new outlets in a cost-effective manner. In these ways, it is preparing itself to be in full readiness once the market recovers and consumers regain their confidence.

The Group's sales mix as at 31st March, 2021 stood at 80.1% services to 19.9% product, and this further shift towards services was also reflected in a small rise in the overall gross profit margin, from 91.6% to 92.1%. Certain key costs rose acceptably on a period-on-period basis. More was spent on advertising and promotion in the period to ensure customers remained engaged with the Group even in a time of restricted movements. This increased spending, combined with a lower sales performance for the period, meant that advertising costs rose to 4.0% of total revenue against just 0.9% last year. This percentage remains well within the acceptable range for expenditure for this vital promotional activity. Costs were higher in part because the Group distributed more free samples as well as offering free treatments to customers for promotional purposes. Rental costs also rose slightly, by 0.6%, reflecting an expansion in the number of new stores operating in the respective periods. This figure also reflects the Group's adoption of HKFRS 16 from 2020 onwards, which has adjusted the way rental expenses are calculated for accounting purposes. The Group's largest individual expense as a percentage to revenue, staff costs, fell considerably, partly due to periods of no-pay leave taken by certain staff and partly due to the Employment Support Scheme subsidy received from the Government for qualified staff during the worst of the COVID-19 crisis. Consequently, staff costs were down by 33.0% comparatively, to 34.0% of total

revenue as against 43.7% last year. Overall, the Group's total costs decreased by approximately 17.0% on a period comparison basis. In addition, the Group received relevant anti-epidemic subsidies for the retail and beauty service industry from the Government during the period.

### **Beauty Services**

The Group's beauty services offerings consist of two main strands. One is its 'Oasis' brand portfolio of beauty centres, which includes Oasis Beauty, Oasis Spa, Oasis Medical Centre, Oasis Hair Spa, and Oasis Homme. Most Oasis outlets are situated in Hong Kong, but at period-end the Group also operated one Oasis Beauty Store in Macau, and three self-managed Oasis Beauty centres in the PRC.

All the various Oasis brand stores in Hong Kong and Macau experienced a comparative fall in revenue for the period in line with the impact of the pandemic. In the PRC, where the COVID-19 situation returned to normal much more quickly, the Oasis Beauty centres all enjoyed healthy year-on-year growth in revenue.

In the second half of financial year 2020, the Oasis Beauty and Oasis Medical Centre outlets situated in the Fee Tat Commercial Centre in Mong Kok both resituated to larger and more prestigious locations in Mong Kok's Langham Place, where they are each gaining increased exposure and excellent brand recognition.

A number of new treatments were introduced in the period that further expanded the beauty options available for Oasis customers. They included a new Aroma Hydro-Nourishing Facial Treatment, Hot Stone Revitalizing Extra Treatment, and Skin Rebirth Detox & Awakening Green Therapy, all offered through Oasis Beauty salons, along with Salus Talent slimming therapy. The Group's Oasis Medical Centres introduced a new 'Eggpify' skin renewal treatment series, along with Firmix 3D treatment equipment providing advanced anti-wrinkle and eye-lift treatments.

This expansion of the Oasis treatment portfolio in the period was just one part of a larger strategy of preparation for growth, even though the pandemic continued to compromise sales. Other moves included opening new stores and upgrading existing beauty outlets. The plan is to position the Group so that is ready to move quickly back into full-scale delivery of services as soon as the pandemic is under control, giving it an edge in what is likely to be a fast-moving market.

The second strand of the Group's beauty services are those offered under its self-owned Glycel brand, through a series of Glycel Skinspa outlets and associated Glycel beauty product sales. The performance of Glycel Skinspas in the period tracked the performance of the Oasis portfolio, with an expected drop in revenue. Two new Glycel outlets have been added to the range recently; one opened in Park Central in Tseung Kwan O in August 2020, just before the period under review, with a second Glycel outlet opening in The LOHAS in LOHAS Park in November 2020. The Group continued to roll out new Glycel treatments in the period to keep its brand profile high and express its confidence in the future. One was the Red Treasure Swiss Perfection Signature Facial treatment, launched in December 2020; another was a four-step facial series of anti-ageing serums. Glycel outlets also offered new Salus Talent slimming equipment for customers.

Capital expenditure rose to HK\$15.6 million for the period, nearly double that of the same period last year (HK\$8.2 million). This was primarily due to the spending involved in equipping and opening new stores. It represents a return to a more normal level of Capex after the cautious postponements of store openings in the volatile period last year.

As at 31st March, 2021, the Group was operating 14 Glycel Skinspas; 14 Oasis Beauty centres; 2 Oasis Homme centres; 4 Oasis Hair Spas; 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong. In the PRC, 3 self-managed Oasis Beauty centres operate, and one Oasis Beauty Store in Macau.

### **Product Sales**

Alongside its beauty services, the Group operates different retail outlets for its three self-owned skincare and beauty brands (Glycel, Eurobeauté and DermaSynergy) and its two licensed brands (Erno Laszlo and H2O+). The products are also available for ordering on online platforms.

Product sales, like beauty services, were down by comparison with the previous period, once again mainly due to the social distancing restrictions that disrupted normal shopping activity over the past six months. However, the Group went ahead with the launches of several exciting new products in the period, all supported by strong marketing campaigns with a focus on social media exposure and traction. In particular, the Group enjoyed considerable success with its festive 'Swiss Red Treasure X'mas Bazaar' package in the pre-Christmas period, which offered a bundle of Glycel products in a limited edition gift box at a highly competitive price.

The Group's various online retail platforms (for Glycel, Erno Laszlo, Eurobeauté, and O~KO! beauty products) all performed steadily in the period, benefitting from the increasing take-up of online shopping among Hong Kong people during the pandemic. Online sales via these channels were up on such sales in the previous period by 56%, a very promising increase. As at 31st March, 2021, the Group was operating 2 H2O+ outlets, 4 Erno Laszlo stores, and 4 Glycel stores in Hong Kong. In Macau, it continued to operate an Erno Laszlo outlet.

## OUTLOOK

Despite the challenges of the period, the Group believes it is in a strong position to take advantage of the gradual return to a more normal environment in the months ahead. It has been active in preparation, opening new stores and upgrading its existing premises in order to be fully ready for the business uptick which it believes is on its way. With its strong financial position, the Group is also very well placed to take advantage of the current dampened rental environment and explore expansion possibilities.

The Group has high confidence in the value of all its brands and will continue to support them by looking to open new outlets where practicable and tap into new growth opportunities. Two major new outlets will be highlights in the coming six months. One will be a new 6,000 sq. ft. flagship Glycel Skinspa, with the Oasis Medical Centre included, in the Festival Walk shopping centre in Kowloon Tong, set to replace the existing 1,600 sq. ft. Glycel Skinspa operating there in June 2021. With well over three times the floor space of the older venue, the new flagship Glycel Skinspa with the Oasis Medical Centre represents a statement of confidence by the Group and will position the brand as a major presence in this popular and prestigious shopping mall. Elsewhere, the Group plans to open a new Oasis Beauty centre in Park Central in Tseung Kwan O, supplementing its existing Glycel outlet in the same shopping mall. Its opening is also scheduled for June 2021.

Noting the strength of the Macau economy and the strong demand for quality beauty products and services there, the Group also intends to expand its presence in Macau in the coming months. In September 2021, it plans to open a Glycel Skinspa in the new Nova Mall on Taipa, Macau as well as both Glycel and Eurobeauté product counters in the popular New Yaohan department store located in the same Mall. In the PRC, the Group remains open to expansion but store positioning is vital, and to date no suitable venues have come up.

As noted, the Group's e-commerce channels have continued to perform strongly in the period, recording double-digit percentage growth in sales. The Group expects online sales to remain an important channel for its beauty product sales, and will continue to promote the online experience. It also plans to devote more resources to supporting both its own online and third-party online retail platforms, for instance by using KOLs and videos to encourage online engagement.

In short, the Group has taken key steps to be ready and prepared for a return to pre-pandemic beauty services and beauty product engagement by consumers. It has established itself as a dynamic, committed provider in the market, and has generated widespread confidence and trust in its brands, its products, and its customer care. It looks forward to soon once again building strong value for its stakeholders.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2021, the Group had net current liabilities of approximately HK\$220.0 million (as at 30th September, 2020: HK\$277.5 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2021, the Group had cash reserves of approximately HK\$437.4 million (as at 30th September, 2020: HK\$418.5 million).

As at 31st March, 2021, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$283.8 million (as at 30th September, 2020: HK\$223.1 million) was approximately 2.9% (as at 30th September, 2020: 4.4%). 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, 2021.

## **CAPITAL COMMITMENTS**

As at 31st March, 2021, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK\$9.2 million.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31st March, 2021, the Group employed 827 staff (as at 30th September, 2020: 775 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 5.5 HK cents per share for the six months ended 31st March, 2021 payable to the shareholders of the Company whose names appear on the register of members of the Company (the "Register of Members") at the close of business on Wednesday, 16th June, 2021. The Register of Members of the Company will be closed on Tuesday, 15th June, 2021 and Wednesday, 16th June, 2021, 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, 11th June, 2021. The relevant dividend warrants will be dispatched to shareholders of the Company on Friday, 2nd July, 2021.

### **AUDIT COMMITTEE**

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy and Dr. Wong Chi Keung who are the independent non-executive directors of the Company. The Audit Committee 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, 2021 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, 2021.

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

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

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions set out in the CG Code during the period under review except for certain deviations as more specifically described below.

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

## **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](http://www.hkexnews.hk) and the designated website of the Company at [www.wateroasis.com.hk](http://www.wateroasis.com.hk) respectively. The interim report of the Company for the six months ended 31st March, 2021 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, 28th May, 2021

*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.*