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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, 2022

FINANCIAL HIGHLIGHTS

- Group's revenue for the six months ended 31st March, 2022 (the "period") increased by 23.3% to approximately HK\$388.3 million when compared with that of the same period last year. The increase in revenue was mainly due to the contribution of the Millistrong Group acquired in June 2021. Online sales performance for the Group was encouraging and performed with an increase of 29% on a period-on-period comparison basis which partially compensated for the shortfall on customers traffic through its stores. The Group's sales performance for the period was significantly affected by the government closure orders of all beauty salons since 7th of January 2022 as a result of the outbreak of the 5th wave pandemic.
- The mandatory closure order of beauty salons had resulted in a change in sales mix. The Group's product sales mix was increased to 26.4% from 19.9% while beauty services sales mix was lowered to 73.6% from 80.1% when compared with that of the same period last year.
- The Group's costs on staff, rental and depreciation were increased on a period-on-period comparative basis due to the increased staff numbers and outlets as a result of stores expansion and the acquisition of Millistrong Group. No major government subsidies or relief measures were received and recorded during the period under review.
- Profit for the period amounted to HK\$26.4 million, representing a decrease of 55.1% when compared with that of the same period last year.
- The Board did not declare an interim dividend.

OPERATION HIGHLIGHTS

Beauty Services Business

- As at 31st March, 2022, the Group including the brands of Glycel, Oasis Beauty, Oasis Medical Centre, Oasis Spa, spa ph+, AesMedic Clinic and 32°C operates a total of 55 beauty salons in Hong Kong, 1 outlet in Macau as well as 3 outlets in PRC.
- Despite the mandatory government orders on the closure of the beauty salons since 7th of January 2022, both Glycel and Oasis Medical Centre in Hong Kong managed to perform with positive growth in sales during the period when compared with that of the same period last year.
- During the period under review, a new Oasis Medical Centre had been opened in The LOHAS in Tseung Kwan O in November 2021.

Product Sales Business

- As at 31st March, 2022, the Group operates a total of 12 retail outlets located in Hong Kong, 4 outlets in Macau as well as 1 outlet in PRC comprising the self-owned brands like Glycel and Eurobeauté as well as those with distribution rights like Erno Laszlo, HABA and H2O+.
- The Group's total product sales for the period were increased comparing to that of last year due to the sales contribution of HABA as a result of the acquisition of Millistrong Group.
- Three new retail counters located in NOVA Mall Macau were opened in the first half of this financial year.

Outlook

- The Group opened a flagship outlet on 21st April, 2022 with the brand name of Glycel and Oasis Medical Centre in the Royal Park Hotel in Shatin. A new joint venture of Oasis portfolio namely Oasis Dental was opened in this flagship outlet offering professional cosmetic dental services.
- A new Glycel Skinspa located at Gateway Mall in Tsim Sha Tsui will be added to services in May 2022 together with a further expansion of service floor space of the existing Oasis Medical Centre. In addition, a new and larger Oasis Medical Centre will be opened in Soundwill Plaza later this year, together with a new Oasis Medical Centre to be opened in PopCorn Mall in the second half of 2022.
- In Macau, a new Glycel salon will be opened in the upmarket NOVA Mall in the second half of 2022. While in Beijing, the fourth beauty salon is planned to open before the end of this financial year.
- The Group is confident that the market conditions will soon get back to normal. The Group will continue to open new stores in strategic locations in preparation for an expected post-pandemic rebound, at the same time taking advantage of the dampened environment to secure competitive rental terms in order to pave for the future success.

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, 2022.

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,	
		2022	2021
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	2	388,347	314,857
Purchases and changes in inventories of finished goods		(58,522)	(24,828)
Other income		8,678	14,245
Other gains or losses		(2,272)	(174)
Staff costs		(151,773)	(107,131)
Depreciation		(80,622)	(62,176)
Finance costs		(3,057)	(3,549)
Other expenses		(63,042)	(59,823)
		<u>37,737</u>	71,421
Profit before taxation			
Taxation	3	(11,356)	(12,621)
		<u>26,381</u>	58,800
Profit for the period	4	26,381	58,800
		<u>26,381</u>	58,800
Profit (loss) for the period attributable to:			
Owners of the Company		26,588	58,980
Non-controlling interests		(207)	(180)
		<u>26,381</u>	58,800
		<u>26,381</u>	58,800
Earnings per share			
Basic	5	3.9 HK cents	8.7 HK cents
Diluted	5	3.9 HK cents	8.7 HK cents
		<u>3.9 HK cents</u>	8.7 HK cents
		<u>3.9 HK cents</u>	8.7 HK cents

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

	Unaudited	
	Six months ended	
	31st March,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	26,381	58,800
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>2,313</u>	<u>1,897</u>
Total comprehensive income for the period	<u>28,694</u>	<u>60,697</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	28,912	60,895
Non-controlling interests	<u>(218)</u>	<u>(198)</u>
	<u>28,694</u>	<u>60,697</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 31st March, 2022 HK\$'000	Audited As at 30th September, 2021 HK\$'000
	<i>Notes</i>		
Non-current assets			
Intangible assets		76,018	79,148
Goodwill		29,673	29,673
Investment properties		225,786	227,915
Property and equipment		88,964	80,048
Right-of-use assets		328,307	296,480
Rental deposits		39,538	38,704
Deferred tax assets		7,137	6,873
		795,423	758,841
Current assets			
Inventories		81,461	65,245
Trade receivables	7	7,968	27,611
Contract costs		42,647	49,217
Financial assets at fair value through profit or loss		589	738
Prepayments		13,045	36,031
Other deposits and receivables		64,390	49,085
Tax recoverable		1,176	1,786
Bank balances and cash		307,618	369,662
		518,894	599,375
Current liabilities			
Trade payables	8	2,827	3,907
Accruals and other payables		101,725	129,399
Contract liabilities		499,140	590,535
Secured mortgage loan		3,443	3,407
Lease liabilities		100,347	103,869
Tax payable		28,759	19,976
Dividend payable		112,291	–
		848,532	851,093
Net current liabilities		(329,638)	(251,718)
Total assets less current liabilities		465,785	507,123
Capital and reserves			
Share capital		68,055	68,055
Reserves		202,993	284,366
Equity attributable to owners of the Company		271,048	352,421
Non-controlling interests		1,240	6,344
Total equity		272,288	358,765
Non-current liabilities			
Secured mortgage loan		1,456	3,187
Lease liabilities		171,828	126,122
Deferred tax liabilities		20,213	19,049
		193,497	148,358
		465,785	507,123

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 are unaudited, but have been reviewed by 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 HKICPA.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2021.

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, 2022 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2021.

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 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition						
At a point of time	102,405	62,505	–	–	102,405	62,505
Over time	–	–	285,942	252,352	285,942	252,352
Total	102,405	62,505	285,942	252,352	388,347	314,857

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:

	Six months ended 31st March,							
	Product segment		Service segment		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	102,405	62,505	285,942	252,352	-	-	388,347	314,857
Inter-segment sales	22,732	9,568	-	-	(22,732)	(9,568)	-	-
Total	<u>125,137</u>	<u>72,073</u>	<u>285,942</u>	<u>252,352</u>	<u>(22,732)</u>	<u>(9,568)</u>	<u>388,347</u>	<u>314,857</u>
Segment results	<u>9,575</u>	<u>11,766</u>	<u>76,462</u>	<u>83,775</u>	<u>-</u>	<u>-</u>	<u>86,037</u>	<u>95,541</u>
Other income							8,678	14,245
Other gains or losses							(2,272)	(174)
Finance costs							(3,057)	(3,549)
Central administrative costs							(51,649)	(34,642)
Profit before taxation							<u>37,737</u>	<u>71,421</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,	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong and Macau	330,974	291,568
The PRC	57,373	23,289
	<u>388,347</u>	<u>314,857</u>

3. TAXATION

	Six months ended	
	31st March,	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
Current period	10,485	12,036
Deferred tax	871	585
	<u>11,356</u>	<u>12,621</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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% (2021: 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,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period is stated at after charging:		
Amortisation of contract costs	29,914	29,762
Loss on fair value change of investment properties	2,129	163
Loss on fair value of financial assets at fair value through profit or loss	149	136
Write-off of property and equipment	123	128
Depreciation:		
– Property and equipment	18,040	12,368
– Right-of-use assets	62,582	49,808
and after crediting:		
Net exchange gain	110	190
Gain on disposal of property and equipment	19	63
Interest income on bank deposits	706	836
Government subsidies	45	18,444
Rental income from investment properties net of negligible direct operating expenses	1,712	1,707
Rent concessions related to COVID-19	5,341	5,030

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,	
	2022	2021
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	26,588	58,980
	680,552,764	680,552,764
	680,552,764	680,552,764

6. DIVIDENDS

	Six months ended	
	31st March,	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend declared after the end of the reporting period of Nil (2021: 5.5 HK cents) per share	–	37,430

During the six months ended 31st March, 2022, a final dividend of 16.5 HK cents (2021: Nil) per share totalled approximately HK\$112,291,000 was declared and payable to shareholders of the Company in respect of the year ended 30th September, 2021 (2021: Nil was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2020).

At the Board meeting held on 27th May, 2022, the directors did not declare an interim dividend for the six months ended 31st March, 2022 (2021: 5.5 HK cents per share).

7. TRADE RECEIVABLES

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 allowance for credit losses, presented based on the invoice dates, at the end of the reporting period:

	As at 31st March, 2022 <i>HK\$'000</i>	As at 30th September, 2021 <i>HK\$'000</i>
0 to 30 days	1,741	17,341
31 to 60 days	512	3,171
61 to 90 days	379	2,599
91 to 120 days	1,581	2,336
121 to 150 days	1,391	1,440
151 to 180 days	644	724
Over 180 days	1,720	–
	<u>7,968</u>	<u>27,611</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:

	As at 31st March, 2022 <i>HK\$'000</i>	As at 30th September, 2021 <i>HK\$'000</i>
0 to 30 days	2,326	3,035
31 to 60 days	420	851
Over 60 days	81	21
	<u>2,827</u>	<u>3,907</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, 2022, the Group's revenue up 23.3% by comparison with the same period last year, to approximately HK\$388.3 million (six months ended 31st March, 2021: HK\$314.9 million) as a result of the full consolidation of the newly acquired Millistrong Group.

Profit for the period amounted to HK\$26.4 million, as against HK\$58.8 million for the same period last year. As at 31st March, 2022, the Group had approximately HK\$307.6 million in cash in hand.

The Board did not declare an interim dividend (six months ended 31st March, 2021: 5.5 HK cents per share) for the six months ended 31st March, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The period under review was almost literally a 'game of two halves' in terms of the Group's performance. The Group performed well in the three-month period from October to December 2021, taking advantage of a stable pandemic situation in Hong Kong and a strong appetite for local spending, especially over the Christmas season. However, the outbreak of the "5th wave" of the pandemic in January 2022 led to the Government imposing very strict anti-epidemic measures. All Hong Kong beauty salons together with spas and similar locations, were required to close down completely from 7th January onwards. As a result, for the remainder of the period, the Group was reliant entirely on retail sales of beauty products and related items for its revenue.

Naturally, this mandatory closure of beauty service outlets and spas (which extended beyond the end of the period) had a direct impact on the Group's overall revenue, and also affected its sales mix and gross profit margin for the period. At period-end, its sales mix of products to beauty services stood at 26.4% (products) to 73.6% (beauty services), a notable shift from the ratio of 19.9% to 80.1% respectively at the end of the previous period. This was also reflected in a lower gross profit margin, down from 92.1% a year ago to 84.9% at period-end.

Revenue for the period increased. However, this was because for this period, the Group consolidated into its accounts the revenue results of the brands acquired from the Millistrong Group in June 2021. Revenue from its Water Oasis brands dipped due to the 5th wave outbreak and closure of spas and beauty salons, especially since March is traditionally the peak month of the year for sales. Nevertheless, the Group reported a small bottom line profit for the period, a positive outcome especially given that no major Government subsidies or relief measures were provided for the three months when its beauty services outlets were closed.

The Group managed to control its advertising costs as a percentage of revenue in this period. It worked hard to maintain a strong public profile without spending money unnecessarily on advertising that would be unable to achieve significant results in the pandemic environment. Depreciation costs rose year-on-year due to increased spending on new outlets, renovations and new equipment. As for rental costs, these too rose on a comparative basis, due to an expansion in the number of outlets being operated by the Group despite an easing of the leasing environment over the past year.

Staff costs were higher than in the previous period, reflecting not only increased staff numbers following store expansion and the acquisition of the Millistrong Group, but also costs associated with retaining some professional staff even after the mandatory closures from early January onwards.

Capital expenditure rose to HK\$27.1 million for the period, nearly 74% more than for the previous period. This was mainly due to spending on new outlets and outlets being prepared for opening in the second half of the year, and on specialised equipment.

Beauty Services

As mentioned, after a strong three months up to early January 2022, all the Group's beauty services brands were required to close completely until the end of the period and beyond. On a period-on-period comparative basis, revenue still managed to increase considerably for this part of the Group's operations.

The closures affected the Group's 'Oasis' brand portfolio, which includes the beauty services businesses Oasis Beauty, Oasis Spa, Oasis Medical Centre, Oasis Hair Spa, and Oasis Homme. Prior to the closures, however, the Group had pushed ahead with its plans to expand its store network and enlarge some of its outlets. A new Oasis Medical Centre opened in The LOHAS in November 2021 to supplement the one opened in Festival Walk in June 2021, meaning that as at 31st March, 2022, the Group was operating 10 Oasis Medical Centres in Hong Kong, up from eight a year earlier.

As at 31st March, 2022, the Group was operating 15 Oasis Beauty centres, 2 Oasis Homme centres, 4 Oasis Hair Spas, 3 Oasis Spa centres, and 10 Oasis Medical Centres in Hong Kong, and 1 Oasis Beauty Store in Macau. In the PRC, 3 self-managed Oasis Beauty centres are in operation.

Another beauty services business affected was the Group's self-owned Glycel brand. This includes a number of Glycel Skinspa outlets providing treatments, along with some outlets selling Glycel-branded products. At period end the Group was operating 18 Glycel brand outlets in Hong Kong and one in Macau.

Three brands that the Group acquired on taking over the Millistrong Group in June 2021 were also affected by the mandatory closures. One is spa ph+ (renamed from its previous 'Frederique' brand to reflect a younger target market), with five outlets as at 31st March, 2022. A further 32°C beauty salon is located in the Sogo department store, along with one medical beauty outlet under the brand name AesMedic Clinic.

Product Sales

The Group also operates a number of branded retail outlets in which it sells different self-owned and licenced skincare and beauty brands. These include its self-owned brands Eurobeauté and DermaSynergy, and its licensed brands Erno Laszlo and H2O+. Following its acquisition of the Millistrong Group last year, the Group also became a distributor of the beauty brand HABA. All these brands are sold in various physical locations and can also be ordered online. During the period, the Group opened two new outlets in Macau selling Eurobeauté and HABA products respectively, both in Macau's upmarket NOVA Mall.

The Group's 18 Glycel stores sell Glycel products as well as offering beauty treatments. In the period, a new kiosk selling Glycel products was also opened in the New Yaohan department store in Macau's NOVA mall, in addition to the two kiosks mentioned above.

As previously noted, beauty products made up a larger percentage of the revenue in the period than usual, due to the mandatory closure of all the Group's beauty salons and spas in Hong Kong from 7th January onwards under the Government's anti-COVID measures. However, caution about mixing in groups and social distancing rules also impacted the public's appetite for retail shopping, and sales volumes also fell in the second quarter.

Offsetting this was a significant rise in e-commerce sales in the quarter, which increased by 29% period-on-period. The Group's products clearly remained in demand and by facilitating online ordering and delivery, the Group was able to redirect sales through online channels to compensate to an extent for the fall in customer foot traffic through its stores.

Although the retail environment was difficult, the Group continued with its commitment to opening new stores in strategic locations in preparation for an expected post-pandemic rebound, at the same time taking advantage of the dampened environment to secure competitive rental terms. By getting new stores up and running even during the worst of the pandemic, the Group is ensuring that it will be very well-placed to meet and benefit from sudden rises in demand in the future. Further store openings are in the pipeline, as described in the Outlook section below.

As at 31st March, 2022, the Group was operating 2 H2O+ outlets and 3 Erno Laszlo stores in Hong Kong, with another Erno Laszlo outlet operating in Macau. As for HABA, the Group has 3 retail stores in Hong Kong, together with a fourth store that was opened in Macau in the period.

OUTLOOK

The Government's mandatory closure of beauty salons and spas extended beyond the end of the period, with restrictions not being eased until 21st April, 2022. With the 5th wave outbreak largely under control, the Group is confident that a return to more normal conditions is just around the corner, and that its expansion plans will give it a definite competitive advantage in the months ahead.

Delays due to the 5th wave outbreak meant that the Group's plans to open a major new outlet in the Royal Park Hotel in Shatin had to be pushed back until after period-end. A new Oasis Medical Centre opened there on 21st April, 2022, once mandatory government restrictions ended. Inside the Oasis Medical Centre is a new joint venture of the Group that is further expanding its Oasis portfolio, namely Oasis Dental, offering professional cosmetic dental services.

Renovations are continuing in the Gateway Mall in Tsim Sha Tsui, which will expand the floor space of the existing Oasis Medical Centre there as well as adding a new Glycel spa outlet. The work is being done in phases to manage the changes as seamlessly as possible. A new and larger Oasis Medical Centre is also on track to open in the Soundwill Plaza later in the year. Similarly, the PopCorn Mall will see a new Oasis Medical Centre opening in the second half of 2022.

In Macau, following the expansion in the first half mentioned above, the Group is planning to launch a Glycel salon in the upmarket NOVA Mall in the second half. In Beijing, where the Group has run three self-managed Oasis Beauty centres for several years, it is on track to open a fourth before the end of the financial year. Handover of the new premises is scheduled for May, and renovation and acquisition of the relevant licences will follow.

All these ongoing new openings are part of a deliberate strategy of the Group, launched during pandemic restrictions, to pursue an active expansion plan in preparation for the expected post-pandemic revival. Already with the easing of the 5th wave, signs of a returning appetite for beauty services are evident, and the Group's ongoing store openings and planned openings means it is well-placed to be a provider of choice to customers returning to the scene.

With customer spending and usage continuing to grow, the Group is confident about its potential to deliver a good second-half performance. It will retain its focus on expanding the number and range of its outlets in a variety of locations and territories, so that it can take advantage of the expected rebound. Its strong and varied beauty services portfolio, widely recognised brands, and reputation for quality and professionalism, all give the Group confidence in its ability to step ahead with success in the coming months.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2022, the Group had net current liabilities of approximately HK\$329.6 million (as at 30th September, 2021: HK\$251.7 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2022, the Group had cash reserves of approximately HK\$307.6 million (as at 30th September, 2021: HK\$369.7 million).

As at 31st March, 2022, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$272.3 million (as at 30th September, 2021: HK\$358.8 million) was approximately 1.8% (as at 30th September, 2021: 1.8%). 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, 2022.

CAPITAL COMMITMENTS

As at 31st March, 2022, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK\$22.4 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2022, the Group employed 1,043 staff (as at 30th September, 2021: 968 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options (if any) 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

The Board did not declare an interim dividend for the six months ended 31st March, 2022.

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, 2022 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, 2022.

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 (the "CG")

In the opinion of the directors, the Company has complied with, where applicable, the code provisions set out in Part 2 of the CG Code 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, 2022 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, 27th May, 2022

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.