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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 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 31 March 2023 (the "period") increased by 26.7% to approximately HK$492.0 million when compared with that of the same period last year.

- The increase in Group's revenue during this period was mainly due to the abandonment of the COVID restrictions as well as the full six months contribution of beauty services operations, comparing to the same period of last year due to the outbreak of the 5th wave COVID of which there were government closure orders of beauty salons from January to April 2022.

- The Group's product revenue dropped mainly because of the large scale outbreaks of COVID across PRC as a result of the rapid easing toward the end of 2022 which seriously affected supply chains and consumers spending.

- During the period under review, the full six months beauty services operations had led to an adjustment in the Group's sales mix from 26.4% products to 73.6% beauty services of last financial period to 17.1% products against 82.9% services in this period. The Group's gross profit margin also rose year-on-year, from 84.9% to 89.4% as a result of a higher beauty services segment contribution.

- In the first six months of this financial period, the Group invested heavily in advertising campaigns to capture new customers and accentuate its sophisticated brand image which led to an increase in advertising expenses by 76.3%. Depreciation remained stable which included the capital expenditures on new store openings, relocations and new beauty equipment purchase. Staff costs rose by 39.3%, largely because of the government compulsory closures in last year which had driven the staff costs down.

- Profit for the period amounted to HK$57.1 million, representing an increase of 116.3% when compared with that of the same period last year.

- Recommend the payment of an interim dividend of 7.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- As at 31 March 2023, the Group including the brands of Glycel, Oasis Beauty, Oasis Medical Centre, Oasis Spa, Oasis Dental, spa ph+, AesMedic Clinic and 32°C operates a total of 54 beauty salons in Hong Kong, 2 outlets in Macau as well as 4 outlets in PRC.

- During the period under review, a flagship Oasis Medical Centre located in Soundwill Plaza in Causeway Bay was opened in October 2022. By consolidating two Oasis Medical Centres into one, this new medical centre occupies the entire 27th floor of Soundwill Plaza with area more than 7,000 sq. ft., offering exceptional levels of space, comfort and luxury to our customers.

- In the PRC, the Group opened the fourth self-managed Oasis Beauty Centre in October 2022 in Beijing.

Product Sales Business

- As at 31 March 2023, the Group operates a total of 10 retail outlets located in Hong Kong, 5 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 and HABA.

- During the period under review, the HABA counter in Sogo in Tsim Sha Tsui was relocated to Facesss Harbour City, another premier shopping destination in Tsim Sha Tsui.

Outlook

- The Group has done much work over the past 12 months including the opening and fitting out a series of large flagship stores as well as grouping major brands together to provide greater operational synergies and customer convenience and satisfaction. This move also enhances the Group’s brand image and recognition by our customers.

- Consumer confidence in Hong Kong is continuing to improve although tourist arrivals are also climbing albeit slowly. The Group is confident that the economy and consumer sentiment are gradually moving in the right direction. Looking forward, with our strong financial background as well as our loyal customer base and excellent public exposure and reputation, the Group is confident that the second half will be a positive one.

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 31 March 2023.

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 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**491,957**	388,347
Purchases and changes in inventories of finished goods		**(52,026)**	(58,522)
Other income		**4,664**	8,678
Other gains or losses		**(981)**	(2,272)
Staff costs		**(211,466)**	(151,773)
Depreciation		**(80,439)**	(80,622)
Finance costs		**(4,002)**	(3,057)
Other expenses		**(74,854)**	(63,042)
Profit before taxation		**72,853**	37,737
Taxation	3	**(15,787)**	(11,356)
Profit for the period	4	**57,066**	26,381
Profit (loss) for the period attributable to:			
Owners of the Company		**57,211**	26,588
Non-controlling interests		**(145)**	(207)
		57,066	26,381
Earnings per share			
Basic	5	**8.4 HK cents**	3.9 HK cents
Diluted	5	**8.4 HK cents**	3.9 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31 March **2023** *HK$'000*	2022 *HK$'000*
Profit for the period	**57,066**	26,381
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,557**	2,313
Total comprehensive income for the period	**59,623**	28,694
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**59,768**	28,912
Non-controlling interests	**(145)**	(218)
	59,623	28,694

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31 March 2023** *HK$'000*	Audited As at 30 September 2022 *HK$'000*
Non-current assets			
Intangible assets		**75,076**	75,424
Goodwill		**29,673**	29,673
Investment properties		**225,954**	226,068
Property and equipment		**124,856**	130,487
Right-of-use assets		**335,327**	343,014
Rental deposits		**35,055**	37,922
Deferred tax assets		**5,117**	5,651
		831,058	848,239
Current assets			
Inventories		**55,519**	72,293
Trade receivables	7	**18,681**	18,016
Contract costs		**43,277**	43,241
Financial assets at fair value through profit or loss		**546**	579
Prepayments		**9,989**	14,105
Other deposits and receivables		**18,772**	29,224
Tax recoverable		**5,775**	1,179
Bank balances and cash		**243,356**	234,284
		395,915	412,921
Current liabilities			
Trade payables	8	**1,933**	2,103
Accruals and other payables		**75,311**	82,118
Provisions		**32,769**	32,208
Contract liabilities		**499,653**	490,197
Secured mortgage loan		**1,458**	3,187
Lease liabilities		**103,090**	101,480
Tax payable		**5,195**	39,916
		719,409	751,209
Net current liabilities		**(323,494)**	(338,288)
Total assets less current liabilities		**507,564**	509,951
Capital and reserves			
Share capital		**68,055**	68,055
Reserves		**241,779**	233,052
Equity attributable to owners of the Company		**309,834**	301,107
Non-controlling interests		**726**	871
Total equity		**310,560**	301,978
Non-current liabilities			
Lease liabilities		**179,240**	184,855
Deferred tax liabilities		**17,764**	23,118
		197,004	207,973
		507,564	509,951

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 30 September 2022.

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 31 March 2023 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30 September 2022.

Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)")

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, illustrative examples accompanying HKFRS 16 and HKAS 41

The application of these 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 31 March					
	Product segment		Service segment		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Timing of revenue recognition						
At a point of time	**84,154**	102,405	**–**	–	**84,154**	102,405
Over time	**–**	–	**407,803**	285,942	**407,803**	285,942
Total	**84,154**	102,405	**407,803**	285,942	**491,957**	388,347

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 31 March							
	Product segment		Service segment		Elimination		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**84,154**	102,405	**407,803**	285,942	**–**	–	**491,957**	388,347
Inter-segment sales	**17,902**	22,732	**–**	–	**(17,902)**	(22,732)	**–**	–
Total	**102,056**	125,137	**407,803**	285,942	**(17,902)**	(22,732)	**491,957**	388,347
Segment results	**10,860**	9,575	**108,780**	76,462	**–**	–	**119,640**	86,037
Other income							**4,664**	8,678
Other gains or losses							**(981)**	(2,272)
Finance costs							**(4,002)**	(3,057)
Central administrative costs							**(46,468)**	(51,649)
Profit before taxation							**72,853**	37,737

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 31 March	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong and Macau	**451,015**	330,974
The PRC	**40,942**	57,373
	491,957	388,347

3. TAXATION

	Six months ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Current tax		
Current period	**20,543**	10,485
Deferred tax	**(4,756)**	871
	15,787	11,356

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

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

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

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2022: 25%) on the assessable profits.

Withholding tax has been imposed on dividends declared in respect of profits generated by companies established in the PRC from 1 January 2008 onwards. 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 31 March	
	2023	2022
	HK$'000	*HK$'000*
Profit for the period is stated at after charging:		
Amortisation of contract costs	**42,748**	29,914
Loss on fair value change of investment properties	**114**	2,129
Loss on fair value of financial assets at fair value through profit or loss	**33**	149
Loss on disposal/write-off of property and equipment	**660**	123
Depreciation:		
– Property and equipment	**22,713**	18,040
– Right-of-use assets	**57,726**	62,582
Net exchange loss	**284**	–
and after crediting:		
Net exchange gain	**–**	110
Gain on disposal of property and equipment	**–**	19
Interest income on bank deposits	**1,897**	706
Government subsidies	**72**	45
Rental income from investment properties net of negligible direct operating expenses	**1,745**	1,712
Rent concessions related to COVID-19	**–**	5,341

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 31 March	
	2023	2022
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**57,211**	26,588

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

6. DIVIDENDS

	Six months ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared after the end of the reporting period of 7.0 HK cents (2022: Nil) per share	**47,639**	–

During the six months ended 31 March 2023, a final dividend of 7.5 HK cents (2022: 16.5 HK cents) per share totalled approximately HK$51,041,000 was declared and paid to shareholders of the Company in respect of the year ended 30 September 2022 (2022: HK$112,291,000 was declared and payable to shareholders of the Company in respect of the year ended 30 September 2021).

At the Board meeting held on 29 May 2023, the directors declared an interim dividend of 7.0 HK cents (2022: Nil) per share payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 15 June 2023. 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 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 31 March 2023	As at 30 September 2022
	HK$'000	*HK$'000*
0 to 30 days	**13,343**	10,283
31 to 60 days	**1,531**	1,752
61 to 90 days	**965**	1,674
91 to 120 days	**1,464**	1,396
121 to 150 days	**937**	2,180
151 to 180 days	**391**	660
Over 180 days	**50**	71
	18,681	18,016

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 31 March 2023	As at 30 September 2022
	HK$'000	*HK$'000*
0 to 30 days	**1,735**	1,799
31 to 60 days	**191**	299
Over 60 days	**7**	5
	1,933	2,103

9. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event after the reporting period.

RESULTS AND DIVIDEND

For the six months ended 31 March 2023, the Group's revenue rose by 26.7% by comparison with the same period last year, to approximately HK$492.0 million (six months ended 31 March 2022: HK$388.3 million).

Profit for the period amounted to HK$57.1 million, as against HK$26.4 million for the same period last year. As at 31 March 2023, the Group had approximately HK$243.4 million in cash in hand.

The Board has resolved to declare an interim dividend of 7.0 HK cents per share for the six months ended 31 March 2023 (six months ended 31 March 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's results for the period under review compare favourably with its results for the same period last year. This is partly because the first half of 2022 saw the 'fifth wave' outbreak of COVID in Hong Kong, which shut down the Group's beauty services outlets from 7 January 2022 until April of that year. Consequently, the Group was reliant largely on revenue from product sales for almost half of the interim period last year. Naturally, the full operation of its beauty services during the current period under review saw a significant increase of revenue on a year-on-year comparison basis.

However, there is more to this strong performance than the return of revenues from the Group's beauty services businesses. The disruptions of the COVID era and the impact of the pandemic on the economy meant that no business could take full recovery for granted. The Group was therefore very active both during and after the COVID shutdowns in planning ahead and preparing for the eventual return to normality. It did this by investing heavily in new store openings, in expanding its existing stores, and in undertaking promotional activities to enhance its appeal to consumers. This work, which has been central to the Group's rapid return to a satisfactory performance, is discussed in more detail below.

The return to a full six months of beauty services operations naturally led to an adjustment in the Group's sales mix and gross profit margin. Last year the sales mix moved sharply towards product sales due to the beauty service shutdown, namely 26.4% products to 73.6% beauty services. For this period, the sales mix shifted back to a more typical 17.1% products against 82.9% services. Because beauty services generally attract a higher profit margin than products, the Group's gross profit margin also rose year-on-year, from 84.9% to 89.4%.

Revenue for the period was up by 26.7%, based on strong performances from most of the Group's beauty services brands. In particular, cash receipts in March 2023, traditionally a strong time for beauty services uptake, surged almost back to the performance level before the outbreak of COVID in 2019. This was a strong recognition of the Group's strong recovery capability, as well as a sign of its ability to quickly manage larger-scale demand after the recovery from COVID.

As mentioned above, the Group's improved performance in this period was by no means simply a result of COVID restrictions having been abandoned. With economic uncertainty in the air and a new generation of post-COVID consumers rethinking their spending choices, it was important for the Group to offer more to its customers. It decided to invest heavily in advertising campaigns to capture new customers and accentuate its sophisticated brand image, and in the first six months of this year it embarked on various large-scale advertising and promotional efforts. These included a focused five-month campaign starting in November 2022 that involved eye-catching posters in the Causeway Bay MTR station and the Cross-Harbour Tunnel Billboard, as well as powerful celebrity and KOL-led campaigns on its social media platforms. As a result of this and other marketing initiatives, the advertising expenses increased by 76.3% when compared to the same period last year. This was a worthwhile investment though, boosting the services business considerably and certainly contributing to the exceptional results achieved in the month of March 2023.

Depreciation costs remained stable as the Group continued to spend liberally on store openings, improvements and relocations, and the purchase of new beauty equipment. The percentage to revenue on rental costs however fell, mainly due to increased revenue from existing outlets. Staff costs rose, largely because compulsory closures last year had driven staff costs down; the current ratio of staff costs to revenue reflects a more normal and satisfactory situation. As for capital expenditure, this amount fell considerably to HK$17.8 million against HK$27.1 million last year. Capex in the previous period was high as the Group embarked on ambitious plans for store relocations, enlargements and refurbishments in preparation for the future. The Group is now coming to the consolidation phase of this process, and most of its capex for the period was focused on its final major project for the time being, the opening of the new Oasis Medical Centre flagship store in the Soundwill Plaza in Causeway Bay.

Beauty Services

For the period under review, almost all the Group's beauty services brands performed strongly, recording double-digit growth in revenue. This growth was boosted by a number of strategic store relocations that further enhanced the Group's profile and brought many added benefits for customers. As a result, the number of large-scale flagship stores increased, helping reinforce the Group's position as a major player in the Hong Kong beauty market.

In particular, the period saw some major consolidations of the Group's beauty services brands in the same location. The most important of these was the opening of a flagship Oasis Medical Centre in the Soundwill Plaza in Causeway Bay in October 2022. The new store occupies an entire floor of the Soundwill Plaza (over 7,000 square feet) and offers exceptional levels of space, comfort and luxury. It consolidates two Oasis Medical Centres into one much larger location.

The expansion of Oasis Medical Centre in the Soundwill Plaza has also enabled the Group to optimise the medical professionals working there, as well as to increase the scope and flexibility of its bookings now that there are more treatment rooms available. This move follows on from the Group's launch of a similar flagship store in the New Territories in April 2022, in the Royal Park Hotel in Shatin, as well as its grouping together of three of its beauty brands in the Gateway Tsim Sha Tsui (Glycel, Oasis Spa and Oasis Medical Centre) so that the entire floor there is now occupied by the Group's businesses. This means that the Group now has several major flagship locations in strategic high-end areas of Hong Kong, along with numerous smaller branches of its beauty services brands.

These moves have continued a pattern of relocations and renovations previously undertaken by the Group that proved to be successful and attracted very positive customer feedback. For example, in May 2022 the Group relocated and upgraded a spa ph+ centre in Tsim Sha Tsui, followed in July 2022 with similar work on another spa ph+ centre in Shatin. Both relocations attracted enthusiastic feedback from customers, who praised the spacious new environments and sophisticated new look. Given this success, the Group carried out a similar relocation and renovation for its spa ph+ centre in Tsuen Wan, moving it from the 21st floor to larger premises on the 24th floor of the same mall and expanding the range of beauty machines available. Since its reopening in May 2023, customer numbers have risen.

In the period, the Group continued to acquire sophisticated high-tech beauty equipment and products to ensure its beauty services offerings remained ahead of the field. For example, new i-Body Slim equipment providing tension release therapy was introduced across Oasis Beauty Centres in October 2022, while new beauty treatments introduced in the period for use in Oasis Beauty Centres included Black Jelly Whitening & Firming Eye Extra Cooling Therapy, and HABA G-Lotion Ultrasonic Skin Rejuvenation Treatment. Oasis Medical Centres adopted new DEP medical grade non-invasive injection skin rejuvenation treatment in September and Excel-V treatment machines in December, as well as introducing other treatments such as Xeomin Micro-Toxin Treatment and Whitening and Spot Removal Treatment. Meanwhile, spa ph+ centres launched a series of HABA Squalene face and neck treatments, along with Idebenone Time-reverse skin renewal and eye treatments. Other popular combinations of treatments and products launched in the period included Glycel's "TIMELESS Twin-Power 3D Skin Remodeling Treatment" and H2 POWER JET 3D Facial Massage Stick.

As at 31 March 2023, the Group was operating 15 Oasis Beauty centres, 2 Oasis Homme centres, 4 Oasis Hair Spas, 10 Oasis Medical Centres, 3 Oasis Spas, and 1 Oasis Dental clinic. Other non-Oasis branded beauty services locations operated by the Group are 12 Glycel beauty centres, 1 32ºC centre, 5 spa ph+ centres, and 1 AesMedic Clinic. In total, the Group had a total of 54 beauty centre operations in Hong Kong at period-end. These brands include those acquired as part of the Group's acquisition of the Millistrong Group in 2021; all making positive contributions to the Group's revenue since then, including in the period under review.

In the PRC, the Group opened an additional Oasis Beauty centre in Beijing in October 2022, bringing to four the number of self-managed Oasis Beauty centres it operates in the capital city.

In Macau, the Group operates one Glycel Skinspa and one Oasis Beauty Store.

Product Sales

The Group operates retail outlets for its range of self-owned and licenced beauty product brands. Some of these operate as independent retail stores or counters, while others are associated with its beauty services centres. The Group's self-owned brands include Glycel, Eurobeauté and DermaSynergy, while its licenced brands are HABA, Erno Laszlo and, until December 2022, H2O+. In addition, the Group's Glycel beauty treatment centres sell a full range of Glycel products.

Product sales dropped year-on-year, for various reasons. The HABA brand, which the Group sells in Hong Kong and for which it is one of the wholesale distributor in the PRC, was affected by widespread disruption towards the end of 2022 in China when the country's strict COVID restrictions were lifted. The rapid easing led to large-scale outbreaks of COVID across the nation, seriously affecting supply chains and the opening times of stores, as well as causing more cautious spending by PRC consumers. In Hong Kong, the reopening of the Group's beauty salons in the second half of the financial year 2022 as well as the ending of COVID restrictions in early 2023 saw the Group refocus its efforts on its beauty services, leading to a fall in online product sales. Product sales from H2O+ came to an end from December 2022, when the brand owner withdrew the product from global distribution. Together, these things contributed to a fall in product sales year-on-year of around 17.8%.

High quality new products continued to be rolled out under all the Group's beauty brands throughout the period, many of which are also used in its beauty centres as part of the treatments offered.

As at 31 March 2023, the Group operated 10 retail product stores or counters in Hong Kong, five in Macau, and one HABA wholesale distribution business in the PRC. In Hong Kong, the HABA counter in Sogo in Tsim Sha Tsui was relocated to Facesss Harbour City, another premier shopping destination in Tsim Sha Tsui. Following the end of the H2O+ licencing arrangement, the Group retained its one product store but is now selling its own-brand products in it.

The Group continued to sell Glycel products in 18 Glycel locations, including 5 stores or counters and 13 beauty services centres in Hong Kong and Macau.

OUTLOOK

The Group has done much work over the past 12 months to prepare itself for an expected upsurge in demand for beauty services and products, and its efforts already look to be paying off. Some of that work has involved opening and fitting out a series of large flagship stores, in which two or three of its major brands are grouped together to provide greater synergies and higher customer convenience. These flagship stores are enhancing the Group's brand recognition, and sending out a clear message that the Group is expanding and flourishing. In addition, these larger stores can provide more leisure areas and treatment rooms, and this in turn is enabling the Group to handle more customers and be more flexible in accommodating bookings. In the months ahead, the Group will be consolidating its efforts of the past year and looking closely at the performances of these larger stores in order to develop strategies for future growth.

The relatively high spending of the past year was strategically focused on growth, and the bulk of this spending has now been completed. The Group remains in a strong financial situation, stable, healthy and cash-rich. Its ability to come through the COVID era and relaunch post-COVID while remaining financially sound throughout speaks volumes for its core principles of financial management and planning. These are principles that have served the Group well since its beginnings, and which will continue to underpin its culture and decision-making practices in the future.

Consumer confidence in Hong Kong is continuing to improve, while tourist arrivals are also climbing albeit slowly. Visitor numbers from the Mainland are on the rise. The Group is confident that the economy and consumer sentiment are gradually moving in the right direction, and that the work it has put into enhancing and expanding its beauty services outlets over the past year has set it up well for enjoying the post-COVID rebound. Financially secure and with a strong and loyal customer base and excellent public exposure and reputation, the Group is in a good position and is confident that the second half will be a positive one.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group had net current liabilities of approximately HK$323.5 million (as at 30 September 2022: HK$338.3 million).

The Group generally finances its operations with internally generated resources. As at 31 March 2023, the Group had cash reserves of approximately HK$243.4 million (as at 30 September 2022: HK$234.3 million).

As at 31 March 2023, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$310.6 million (as at 30 September 2022: HK$302.0 million) was approximately 0.5% (as at 30 September 2022: 1.1%). All borrowings are denominated in Hong Kong dollars. The bank balances and cash are mainly denominated in Hong Kong 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 31 March 2023.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK$2.6 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 1,047 staff (as at 30 September 2022: 1,112 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 AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of 7.0 HK cents per share for the six months ended 31 March 2023 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 15 June 2023. The Register of Members will be closed from Wednesday, 14 June 2023 to Thursday, 15 June 2023, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 June 2023. The relevant dividend warrants will be dispatched to shareholders on Monday, 3 July 2023.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire who are the independent non-executive directors of the Company. The Audit Committee 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 31 March 2023 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 31 March 2023.

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 31 March 2023 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, 29 May 2023

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., Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P..