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, 2019

FINANCIAL HIGHLIGHTS

- The Group's turnover was increased by 4.0% to approximately HK$381.3 million when compared with that of the same period last year, the increase was mainly contributed by the beauty service segment.

- The Group's sales mix rose to approximately 80.4% in beauty services and 19.6% in retail sales, comparing to 77.7% and 22.3% with that of same period last year.

- Gross profit margin for this period further increased to approximately 92.7% from 91.9% of the same period last year due to higher service segment contribution.

- For the period under review, advertising and rental were decreased by 21.7% and 1.2% respectively, while the staff costs and depreciation were increased by 7.8% and 84.4% respectively. Decrease in advertising was due to better deployment of resources more on online marketing and social media promotional models while reduced rental was due to closure of some underperforming stores and partly due to some good rental renewals. Increased staff costs were mainly due to increased headcount on newly opened outlets and our existing outlets to improve overall service quality, while higher depreciation costs were due to renovation of existing beauty salons and the fitting out of new openings.

- Profit for the period amounted to HK$55.0 million, representing a decrease of 8.8% over the same period last year.

- The Group has purchased a unit in Parklane Square which is part of our existing Oasis Beauty centre located in Tuen Mun and the purchase was completed in late April 2019.

- The Group retained a strong and robust cash position with balance of approximately HK$419.1 million as at 31st March, 2019.

- Recommend the payment of an interim dividend of 8.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- Beauty services brands under Oasis family including Oasis Beauty, Oasis Spa and Oasis Medical Centre performed well in the period under review, enjoying solid single-digit growth year-on-year. Both Glycel in Hong Kong and the three Oasis Beauty centres located in PRC had recorded a double-digit growth in sales. In addition, Oasis Beauty centre in Macau had also recorded good performance which was opened in September 2018.

- As at 31st March, 2019, the Group operated 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 2 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC and an Oasis Beauty centre in Macau.

Retail Business

- For the period under review, decrease in retail sales of H2O+ and Erno Laszlo were partly due to the closure of unprofitable outlet as well as the softening in the retail market whereas the products sales in Glycel recorded a double-digit growth when compared with that of last period.

- As at 31st March, 2019, the Group operated 3 H2O+ outlets, 5 Erno Laszlo stores, 7 Glycel stores in Hong Kong as well as 1 further Glycel outlet in Macau.

Outlook

- The Group will continue to open new counters and outlets for further expansion in the months ahead which include the opening of new Erno Laszlo and Glycel outlets in Shatin New Town Plaza later this year. Three new Glycel outlets are planned to open within this financial year including an outlet located in Tuen Mun Parklane Square, while for the Kornhill Plaza Office Tower and the Yuen Long Kwong Wah Plaza, the new Glycel outlet will open side by side with an Oasis Medical Centre in these two locations. New treatments and products will be launched to further enhance the brand's momentum.

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, 2019.

The unaudited consolidated results have been reviewed by the Company's Audit Committee and the Company's independent auditor, Deloitte Touche Tohmatsu, 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

		Unaudited Six months ended 31st March,	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**381,283**	366,462
Purchases and changes in inventories of finished goods		**(27,756)**	(29,589)
Other income		**4,714**	4,692
Other gains or losses		**(82)**	1,830
Staff costs		**(164,900)**	(152,991)
Depreciation of property and equipment		**(13,554)**	(7,351)
Finance costs		**(177)**	(201)
Other expenses		**(112,508)**	(109,418)
Profit before taxation		**67,020**	73,434
Taxation	3	**(11,987)**	(13,074)
Profit for the period	4	**55,033**	60,360
Profit (loss) for the period attributable to:			
Owners of the Company		**55,094**	60,529
Non-controlling interests		**(61)**	(169)
		55,033	60,360
Earnings per share			
Basic and diluted	5	**8.1 HK cents**	7.9 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March,	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**55,033**	60,360
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**684**	1,445
Total comprehensive income for the period	**55,717**	61,805
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**55,789**	61,995
Non-controlling interests	**(72)**	(190)
	55,717	61,805

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2019** *HK$'000*	Audited As at 30th September, 2018 *HK$'000*
Non-current assets			
Intangible assets		**59,619**	59,162
Goodwill		**3,498**	3,012
Investment properties		**233,574**	233,604
Property and equipment		**78,087**	76,287
Rental deposits		**28,727**	27,160
Deferred tax assets		**9,184**	4,103
		412,689	403,328
Current assets			
Inventories		**35,229**	36,903
Trade receivables	7	**49,819**	28,677
Contract costs		**54,466**	–
Prepayments		**7,035**	82,933
Other deposits and receivables		**15,489**	10,836
Bank balances and cash		**419,056**	376,571
		581,094	535,920
Current liabilities			
Trade payables	8	**2,220**	7,059
Accruals and other payables		**73,004**	74,152
Receipts in advance		**–**	516,196
Contract liabilities		**584,298**	–
Secured mortgage loan – due within one year		**3,220**	3,446
Tax payable		**16,955**	23,362
		679,697	624,215
Net current liabilities		**(98,603)**	(88,295)
Total assets less current liabilities		**314,086**	315,033
Capital and reserves			
Share capital		**68,055**	67,945
Reserves		**213,768**	213,762
Equity attributable to owners of the Company		**281,823**	281,707
Non-controlling interests		**7,204**	7,034
Total equity		**289,027**	288,741
Non-current liabilities			
Secured mortgage loan – due after one year		**11,571**	13,191
Deferred tax liabilities		**13,488**	13,101
		25,059	26,292
		314,086	315,033

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 condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2018.

Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the condensed consolidated financial statements.

2. TURNOVER AND SEGMENT INFORMATION

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

(i) Retail segment – the retail sales of skincare products

(ii) Services segment – provision of services in beauty salons, spas, medical beauty centres and other businesses

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

	Retail segment Six months ended 31st March,		**Services segment Six months ended 31st March,**		**Elimination Six months ended 31st March,**		**Consolidation Six months ended 31st March,**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**74,699**	81,871	**306,584**	284,591	**–**	–	**381,283**	366,462
Inter-segment sales	**12,329**	13,136	**–**	–	**(12,329)**	(13,136)	**–**	–
Total	**87,028**	95,007	**306,584**	284,591	**(12,329)**	(13,136)	**381,283**	366,462
Segment results	**20,200**	23,086	**87,709**	86,186	**–**	–	**107,909**	109,272
Other income							**4,714**	4,692
Other gains or losses							**(82)**	1,830
Finance costs							**(177)**	(201)
Central administrative costs							**(45,344)**	(42,159)
Profit before taxation							**67,020**	73,434

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.

Segments	For the six months ended 31st March, 2019 Retail	Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition			
At a point of time	74,699	–	74,699
Over time	–	306,584	306,584
Total	74,699	306,584	381,283
Geographical markets			
Hong Kong and Macau			366,219
The People's Republic of China (the "PRC")			15,064
Total			381,283

3. TAXATION

	Six months ended 31st March, **2019**	2018
	HK$'000	*HK$'000*
Current tax		
Current period	**13,365**	12,470
Deferred taxation	**(1,378)**	604
	11,987	13,074

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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% (2018: 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,	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period is stated at after charging:		
Amortisation of contract costs	**34,540**	–
Amortisation of intangible assets	**58**	55
Loss on fair value change of investment properties	**30**	–
Write-off of property and equipment	**456**	581
and after crediting:		
Net exchange gain	**174**	296
Gain on disposal of property and equipment	**230**	517
Gain on fair value change of investment properties	**–**	1,598
Interest income on bank deposits	**2,856**	1,785
Interest income on overdue rental income	**–**	303
Rental income from investment properties	**1,693**	2,337

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,	
	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**55,094**	60,529

	Number of shares 2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,113,753**	765,436,280
Effect of dilutive potential ordinary shares – share options of the Company	**389,389**	856
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,503,142**	765,437,136

6. DIVIDENDS

	Six months ended 31st March, 2019 *HK$'000*	2018 *HK$'000*
Interim dividend declared after the end of the reporting period 8.0 HK cents (2018: 3.0 HK cents) per share	**54,444**	20,384

During the six months ended 31st March, 2019, a final dividend of 5.5 HK cents (2018: 4.0 HK cents) per share totalled approximately HK$37,430,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2018 (2018: HK$30,618,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2017).

At the Board meeting held on 24th May, 2019, the directors declared an interim dividend of 8.0 HK cents (2018: 3.0 HK cents) per share payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 12th June, 2019. This interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

7. TRADE RECEIVABLES

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

	As at 31st March, 2019 *HK$'000*	As at 30th September, 2018 *HK$'000*
0 to 30 days	**49,803**	28,654
Over 150 days	**16**	23
	49,819	28,677

Movement in the allowance for trade receivables:

	For the six months ended 31st March, 2019	For the year ended 30th September, 2018
	HK$'000	*HK$'000*
Balance at beginning of the period/year	**589**	589
Write-off of trade receivables	**(589)**	–
Balance at end of the period/year	**–**	589

8. TRADE PAYABLES

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

	As at 31st March, 2019	As at 30th September, 2018
	HK$'000	*HK$'000*
0 to 30 days	**2,202**	7,059
31 to 60 days	**18**	–
	2,220	7,059

9. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

RESULTS AND DIVIDEND

For the six months ended 31st March, 2019, the Group's turnover rose by 4.0% by comparison with the same period last year, to approximately HK$381.3 million (six months ended 31st March, 2018: HK$366.5 million). This rise reflected a further shift in the sales mix towards the services side of the Group's business, as well as the introduction of a number of new beauty treatment options that proved attractive to clients. It also reflected the fact that the Group closed some retail stores in the period, and that the Hong Kong retail market was generally soft in the period. The Group's gross profit margin also improved slightly, rising to 92.7% as against 91.9% for the same period last year, again reflecting the increased contribution of its services sector.

Counteracting these rises were two factors that affected bottom-line profitability. One was the Group's increasing capital expenditure costs in relation to its investment in new store openings and renovations of existing stores, which in turn led to higher depreciation expenses as well as higher staff costs. In addition, the valuation of investment properties owned by the Group this period saw property values remain unchanged, by comparison with last year's significant rise. The outcome of all this was that profit for the period was HK$55.0 million, against HK$60.4 million for the same period last year.

The Group maintained its traditionally strong cash position, with approximately HK$419.1 million in cash in hand as at 31st March, 2019. The Board has resolved to declare an interim dividend of 8.0 HK cents per share for the six months ended 31st March, 2019 (six months ended 31st March, 2018: 3.0 HK cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's beauty services continued to perform well in the first half of 2018/19. This helped offset a softer showing from its retail side, partly the result of reduced spending by PRC visitors to Hong Kong. Various increases in costs in the period have however impacted on the Group's bottom line, specifically its depreciation expenses relating to its investment in the opening of new stores and the renovation of existing stores, and its staff costs arising from the employment of new staff. This expenditure is part of the Group's long-term strategy to maintain modern, attractive and well-staffed outlets. The goal is to ensure that its various brand presences are widely perceived as stylish, forward-looking and constantly abreast of the latest developments in technology.

As has been the trend in recent years, the beauty services percentage of the Group's overall business has continued to creep upwards. The sales mix as at 31st March, 2019 stood at 80.4% services to 19.6% retail, a change from the 77.7% to 22.3% mix a year earlier. The Group's gross profit margin rose in line with the fact that services margins are typically higher than retail ones, reaching 92.7% against 91.9% the previous year.

Advertising expenditure during the period fell by 21.7% year-on-year, as the Group continued to deploy its resources astutely by placing a greater focus on online marketing and social media promotional models. Consequently, as a percentage of turnover the

Group's advertising expenditure only amounted to 1.9% – a very strong result considering the effectiveness of its penetration, especially since it handled promotions for several important new items launched during the period.

In line with the Group's expansion of both its retail and service outlets, staff costs for the period rose by 7.8%, making up a total of 43.2% in terms of percentage to turnover (March 2018: 41.7%). This rise was primarily due to the increase in staff headcount in order to serve newly opened outlets and to further improve service quality in existing outlets. New personnel were mainly frontline staff, including doctors, which also pushed up staff costs. The Group is comfortable with its level of staff costs, as one of its major selling points is the high level of professionalism of staff and the personal touch that it is able to offer customers, especially for its beauty services operations.

Rental costs fell further year-on-year, by 1.2%. This was partly the result of the closure of a couple of underperforming stores in very high rental environments, and partly due to the efforts of the Group in negotiating good rental agreements with landlords. The Group has also continued to engage in prudent purchases of properties with the aim of further controlling fluctuations in leases. In 2018 it purchased premises in Yuen Long where an existing Oasis Beauty centre is sited, and in April 2019, just after the review period, it completed purchase of a unit of approximately 2,200 square feet in Tuen Mun Parklane Square. This unit is one of three adjacent units in which Oasis Beauty currently operates a larger salon; the other two units continue to be rented from the landlord from whom the purchase was made.

Depreciation costs rose considerably year-on-year due to the Group's continued high level of expenditure on the renovation of existing beauty salons and the fitting out of new openings.

Beauty Services Business

A number of the Group's separate beauty service offerings together make up its single brand stable 'Oasis'. Oasis Beauty, Oasis Spa and Oasis Medical Centre primarily serve female customers, while Oasis Homme caters for men's beauty needs. In addition, the Group's self-owned Glycel brand offers Glycel 'Skinspa' beauty services at many of its outlets.

The Oasis range performed well during the period, with the main Oasis service brands in Hong Kong all recording solid single-digit growth in turnover. The Group's three self-managed Oasis Beauty centres in the PRC enjoyed strong double-digit turnover growth. Separately, beauty services offered under the Glycel brand also experienced very positive uptake during the period, in conjunction with strong retail sales of Glycel products. The opening of the Macau Oasis Beauty salon in September 2018 has also benefited the Group, with the new salon posting a good performance and contributing to significant growth in Macau's business during the period.

The Group continued to incur relatively high levels of capital expenditure as a result of its strategic policy of constantly refreshing and upgrading its beauty services outlets to maintain customer interest. Apart from expenditure on interior renovations, much emphasis was placed on the acquisition of new technology equipment and new treatments, an area in which the Group has a strong track record. A particular success in this respect was the launch of the new i-Skinix treatment series. At Oasis Medical Centres, new advanced V-liner equipment to reduce facial lines and Target-X Age-Freeze equipment providing new collagen treatments for face, neck and body were both successfully launched, along with popular 3-D Eye Contour technology to enhance women's eye regions.

Much of the Group's promotion for these new services utilised online and social media outlets, continuing its commitment to making the most of new communication technologies and data analytics to promote itself and to more effectively target new customer groups.

As at 31st March, 2019, the Group was operating 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres and 2 Oasis Homme centres. In the PRC, 3 self-managed Oasis Beauty centres continued to operate and an Oasis Beauty centre in Macau. These numbers remain unchanged from March 2018.

Retail Business

The Group sells skincare and beauty products under three self-owned brands (Glycel, Eurobeauté and DermaSynergy) and two licensed brands (Erno Laszlo and H2O+). In the period under review, the Group's self-owned Glycel brand was the key performer, delivering double-digit growth (including both retail sales and Skinspa services). This was partly due to the expansion in the number of stores, with Glycel operating 16 stores as at 31st March, 2019 compared with 13 a year earlier. In addition, newly launched Glycel products proved popular, including a new limited edition version of the 42ºC Mobile Skin Therapist embedded with Swarovski crystals. These supplemented an already strong-selling stable of Glycel products, and the launch of a series of Supreme Whitening Cell-Regeneration Treatments in March 2019 further boosted the brand's profile.

A reduction in the number of H2O+ outlets over the year led to a fall in turnover in sales of this brand's products. Erno Laszlo experienced a small drop in turnover, mainly due to the closing of the store in Festival Walk and, more generally, a softening in the retail market, despite a new Erno Laszlo counter being opened in Yata Shatin in November 2018.

As at 31st March, 2019, the Group was operating 3 H2O+ outlets, 5 Erno Laszlo stores, and 7 Glycel stores in Hong Kong. In Macau, it continued to operate a Glycel outlet.

OUTLOOK

With deep confidence in the quality of its services and products, the Group will continue to look for opportunities to open new counters and outlets in the months ahead. In particular, performance of its self-owned Glycel brand has been strong and the Group expects to back this with powerful promotional campaigns and the launch of further attractive Glycel products in the year ahead. The synergies between its Glycel Skinspa and its Oasis Medical Centre, which offer advanced medical treatments for more significant skin issues, are such that the Group plans to open these stores together where possible.

A number of new outlets are planned for the ensuing months. With the major renovations having taken place at Shatin's popular New Town Plaza finally completed, the Group is planning to open new Erno Laszlo and Glycel outlets in this important mall before Christmas this year. Three new Glycel outlets are also planned in other significant locations within this financial year; an outlet will be opened in Tuen Mun Parklane Square, while in Kornhill Plaza Office Tower and Yuen Long Kwong Wah Plaza, the new Glycel outlet will open side by side with an Oasis Medical Centre in these two locations.

A major Glycel campaign under the 'Glycel White Reface', actress and model Christine Kuo, has been launched in May 2019, which will introduce a range of new treatments and products that should further enhance the brand's momentum.

The Group's online brand O~KO! beauty has continued to grow modestly over the year, and the Group will continue to promote and enhance this e-commerce channel with an eye on its long-term potential for e-shoppers.

The six months under review have been satisfactory ones in terms of brand performance for the Group. Its beauty services brands continue to enjoy strong loyal customer bases, and the Group has a well-deserved reputation for quality, comfort and good service. Its beauty services are also widely associated with advanced technology and the latest in international beauty equipment, drawing customers back again and again to take advantage of treatment breakthroughs. Its customer base for beauty services is continuing to grow, due to its use of celebrity brand figures such as Christine Kuo and an astute deployment of social media channels to promote its brands. On the retail front, the Group has continued to work hard to locate its brand outlets in optimum sites, and to refresh its product ranges regularly while ensuring that they are ideally tailored to the needs of local target consumers.

This confidence in its portfolio has driven the Group's spending in terms of new store openings and refurbishments of existing stores. To maintain the highest standards of quality, expenditure has been necessarily high but the Group believes that the strategy is one that is working well to enhance the Group's profile and status among consumers. As ever, the Group has proceeded in a financially prudent manner across its operations and remains in a strong cash position. It is working from a very positive baseline, and is looking forward to further upward momentum in the second half of the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2019, the Group had net current liabilities of approximately HK$98.6 million (as at 30th September, 2018: HK$88.3 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2019, the Group had cash reserves of approximately HK$419.1 million (as at 30th September, 2018: HK$376.6 million).

As at 31st March, 2019, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$289.0 million (as at 30th September, 2018: HK$288.7 million) was approximately 5.1% (as at 30th September, 2018: 5.8%). 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, 2019.

CAPITAL COMMITMENTS

As at 31st March, 2019, the Group had capital commitment in respect of acquisition of property and equipment of approximately HK$ 22.3 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2019, the Group employed 802 staff (as at 30th September, 2018: 764 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 8.0 HK cents per share for the six months ended 31st March, 2019 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 12th June, 2019. The Register of Members will be closed from Tuesday, 11th June, 2019 to Wednesday, 12th June, 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10th June, 2019. The relevant dividend warrants will be dispatched to shareholders on Friday, 21st June, 2019.

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, 2019 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the condensed consolidated financial statements.

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

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period under review.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry by the Company, all directors confirmed that they complied with the Model Code for transactions in the Company's securities throughout the review period.

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, 2019 will be dispatched to the shareholders and published on the HKEx's and the Company's websites in due course.

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

Hong Kong, 24th May, 2019

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.