

## Water Oasis Group Limited Announces 2016/17 Annual Results

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*Thanks to Bold Marketing Initiatives, Careful Cost Management,  
 New Beauty Services, Equipment and Products*

### **Financial Highlights**

- For the year under review, the Group's turnover increased by 2.9% to approximately HK\$644.8 million when compared with that of last year. This was mainly due to the increased contribution from our service segment which offsets the decrease in retail sales performance.
- The Group's sales mix rose to approximately 78.2% in beauty services and 21.8% in retail sales in the financial year of 2017, comparing to 75.4% and 24.6% with that of last year.
- Gross profit margin for the 2017 financial year increased to approximately 91.9% from 90.9% of last year.
- The Group continued its efficient approach on cost controls to increase competitiveness. For the year under review, all four expenditure areas including advertising, depreciation, rental and staff costs were successfully reduced by 40.1%, 17.3%, 6.3% and 0.2% respectively when compared with that of last year. Together with the increase in sales and gross profit margin, these resulted in an increase in profit for the year by 139.0% to approximately HK\$69.3 million.
- The Group retained a strong cash position of approximately HK\$402.4 million as at 30th September, 2017, representing an increase of HK\$101.9 million over 2016 financial year end.
- Recommended the payment of a final dividend of 4.0 HK cents per share.

### **Operation Highlights**

#### **Beauty Services Business**

- In the year under review, the Group's Hong Kong beauty services segment performance was strong across Oasis brand portfolio (Oasis Beauty, Oasis Spa, Oasis Medical Centre and Oasis Homme) as well as Glycel. These positive results were driven by the Group's commitment on new treatments, services and latest high-tech equipment, complementing with new digital marketing initiatives and the newly launched mobile apps.
- As at 30th September, 2017, 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 1 Oasis Beauty Store in Macau.

#### **Retail Business**

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy, and two licensed brands, H2O+ and Erno Laszlo.
- In the year under review, Eurobeauté's sales performance was outstanding which partly offsets the decrease in retail sales performance of other retail brands. The decrease in retail sales were partly due to the closing down of some of the underperforming retail outlets as well as the relatively weak economic climate in the Hong Kong retail market. However, the bottom line on retail segment showed positive results as a result of the reduction of both rental and staff costs on these non-profitable outlets when compared with that of last year.
- As at 30th September, 2017, the Group operated 5 H2O+ outlets, 5 Erno Laszlo stores, 4 Glycel stores in Hong Kong as well as 1 further Glycel outlet in Macau.

## **Outlook**

- To maintain its status at the head of the market, the Group will continue to enhance its richness of digital engagement with customers and to increase its level of digital marketing strategy, backed up by our data analytics team for better business decisions.
- The Group will continue to bring its customers with new and advanced beauty technologies using the latest advanced beauty equipment purchased all over the world, as well as to enhance its professional teams, including its doctors and service staff, to ensure its high-level service standards are maintained and enriched.

(Hong Kong, 15th December, 2017) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEX: 1161), a renowned beauty product retail and beauty services group, announced today the annual results of the Company and its subsidiaries (the “Group”) for the year ended 30th September, 2017 (“the year”). Thanks to its bold marketing initiatives, careful cost management, and the introduction of a series of new beauty services, equipment and products, the Group saw a rise in profit for the year of more than 100% year-on-year, a remarkable performance in an economic environment in Hong Kong which remains far from robust. These results were achieved on a rise of turnover of 2.9%, an improved gross profit margin as well as savings made on Group’s major expenditures.

The Group’s gross profit margin rose to 91.9%, being one percentage point higher than for 2016. The rise in the gross profit margin was linked to a further change in the sales mix for the year. For the year, the Group’s high margin beauty services’ contribution to the sales mix rose to 78.2%. The Group continued its efficient approach to cost controls. Rental costs as a percentage of turnover fell below 20% and advertising costs were also down by over 40% against that of previous year. Basic earnings per share for the year were 9.1 HK cents (2016: 3.8 HK cents).

The Group’s bank balances and cash levels as at 30th September, 2017 stood at approximately HK\$402.4 million. The board of directors has recommended the payment of a final dividend of 4.0 HK cents per share, bringing the full-year dividend to 8.0 HK cents (2016: 3.0 HK cents) per share.

**Mr. Alan Tam, Chief Executive Officer of Water Oasis**, said, “The Group delivered an impressive set of results for the year. Much of this success has been driven by innovative new marketing strategies, as we have moved to embrace the full potential of modern technology and media.”

## **Business Review**

### **Beauty Services Business**

For the year under review, both the Group’s Oasis Beauty and Oasis Spa businesses in Hong Kong grew, pushing total segmental turnover up by 7.5% year-on-year. Growth was driven by a number of new treatments, services and equipment introduced throughout the year. Meanwhile, the Group’s Oasis Medical Centres in Hong Kong and self-owned Glycel brand continued to perform well, posting sales growth of 9.8% and 1.7% respectively when compared with that of last year.

In the past year, the Group has been very active in enhancing and expanding its online and digital presence for those businesses. One of the most important initiatives was the mobile apps developed and launched for each of its Oasis Beauty, Oasis Spa and Oasis Medical Centre segments. A primary purpose of these apps is to enable 24-hour bookings for services and to simplify the booking process, thus increasing customer convenience and encouraging greater self-service. The Group believes itself to be very useful to our customers in developing these apps, and customer response has been very positive.

## **Retail Business**

On the retail side, new Eurobeauté products introduced during the year generated enthusiasm among users, leading to strong growth in product sales of this self-owned brand of the Group. The brand's product range has been developed to the point where it now offers a full complement of high quality skincare solutions for customers with different skincare needs. In addition, the Group's own brand DermaSynergy products, extensively used as part of various Oasis Medical Centre treatments, are also sold at its outlets directly to consumers. The Group intends to focus the brand so that it specialises in high quality and high margin post-treatment products that offer direct follow-ups to the Oasis Medical Centre programmes undergone by customers.

## **Outlook**

The Group expects the strong momentum built up in the past year to continue in the coming year, as it continues to enhance its digital credentials as well as introduce new products and equipment. It is also exploring possible new sales channels with the potential for expanding its market outside Hong Kong.

The new online beauty product sales platform the Group launched earlier in 2017 has enabled it to target younger customers. In fact, the age range of customers of its traditional brands has also been widened. A major focus of the Group in the coming year will be to enhance the richness of its digital engagement with consumers, in terms of widening its online presence, increasing the level of digital marketing initiatives and improving their targeting, and engaging more closely with KOLs.

Apart from these new initiatives to enhance its future business performance, the Group is continuing to place emphasis on bringing its customers new and advanced beauty technologies by purchasing the latest beauty equipment from all over the world and enhancing its professional teams, including its doctors and service staff, in order to ensure its high-level service standards are maintained and enriched.

Looking ahead, **Mr. Tam** concluded, "With a strong pipeline of services and products in place, a successful and expanding digital marketing strategy, and an ever-increasing data analytics capacity, helping it make better decisions about how to allocate its resources. These strengths combined well for us in 2017, enabling us to deliver excellent results. We expect our performance to continue in the same vein in the year ahead."

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## **About Water Oasis Group Limited**

The Group is a leading beauty services provider and beauty product retailer in Hong Kong. Founded in 1998 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2002, from its beginnings the Group has been one of Hong Kong's most innovative companies within its industry, and has been responsible for numerous "firsts". Coupling a clear vision with a constant impetus for development and transformation, the Group has expanded over the years into an esteemed provider of beauty services along with a strong product portfolio of self-owned and licensed brands. For more information, please visit [www.wateroasis.com.hk](http://www.wateroasis.com.hk)

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