



## Water Oasis Group Limited Announces 2019 Interim Results

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### *Beauty Services Continues to Perform Well with Percentage Creeping Upwards*

#### **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.

(Hong Kong, 24th May, 2019) --- **Water Oasis Group Limited** (“Water Oasis” / the “Company”) (HKEX: 1161), a renowned beauty services and beauty product retail group, today announced the interim results of the Company and its subsidiaries (the “Group”) for six months ended 31st March, 2019.

For the six months ended 31st March, 2019, the Group's turnover rose by 4.0% 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, and that the Hong Kong retail market was generally soft. 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. 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 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 (six months ended 31st March, 2018: 3.0 HK cents per share).

**Mr. Tam Siu Kei, Alan, Executive Director and Chief Executive Officer of Water Oasis**, said, “The six months under review have been satisfactory ones in terms of brand performance. Our beauty services brands continue to enjoy strong loyal customer bases, and we have a well-deserved reputation for quality, comfort and good service. Our 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. Our customer base for beauty services is continuing to grow, due to our use of celebrity brand figures such as Christine Kuo and an astute deployment of social media channels to promote our brands. On the retail front, we have continued to work hard to locate our brand outlets in optimum sites, and to refresh our product ranges regularly while ensuring that they are ideally tailored to the needs of local target consumers.”

## **Business Review**

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.

### **Beauty Services Business**

The Oasis range performed well, 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, 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.

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.

### **Retail Business**

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. In addition, newly launched Glycel products proved popular, including a new limited edition version of the 42°C 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.

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 are such that the Group plans to open these stores together where possible.

A number of new outlets are planned for the ensuing months. The Group is planning to open new Erno Laszlo and Glycel outlets in prime mall Shatin New Town Plaza 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.

The Group's online brand O~KO!beauty has continued to grow modestly, and the Group will continue to promote and enhance this e-commerce channel.

**Mr. Tam** concluded, "The confidence in our portfolio has driven our 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 we believe that the strategy is one that is working well to

enhance our profile and status among consumers. As ever, we have proceeded in a financially prudent manner across our operations and remain in a strong cash position. We are working from a very positive baseline, and are looking forward to further upward momentum in the second half of the year.”

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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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