



Water Oasis Group Limited Announces 2018/2019 Annual Results

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Delivers Satisfying Positive Performance Despite Challenging Environment

FINANCIAL HIGHLIGHTS

- Group's turnover for the year increased by 7.9% to approximately HK\$764.0 million when compared with that of last year, the increase was mainly contributed by the beauty service segment.
- The Group's sales mix further rose to approximately 81.8% in beauty services and 18.2% in product sales, comparing to 79.2% and 20.8% with that of last year.
- Gross profit margin for the year further increased to approximately 92.6% from 92.4% of last year due to higher service segment contribution.
- For the year under review, advertising costs were decreased by 16.0% when comparing to last financial year due to better deployment of resources from large scale physical marketing campaigns to more targeted online digital campaigns and social media platforms. Rental costs were maintained at a stable level with a lower percentage to turnover when compared with that of last year. This was explained by the combined net effect of better rental renewal terms on renewal as well as some new outlets openings and closures. Staff costs and depreciation were increased by 7.9% and 68.4% respectively due to increased headcount on newly opened outlets and existing beauty centres to improve overall service quality, whereas higher depreciation costs were due to additions of new beauty equipment, renovation of existing beauty salons and the fitting out of new openings.
- Profit for the year amounted to HK\$107.4 million, representing an increase of 12.9% over the last year.
- The Group has purchased a unit in Parklane Square in this financial year which is part of our existing Oasis Beauty centre located in Tuen Mun and was completed in April 2019.
- The Group retained a strong and robust cash position with balance of approximately HK\$385.6 million as at 30th September, 2019.
- Recommend the payment of a final dividend of 7.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- In the year under review, all beauty services brands sales performed well within the Group including Oasis Beauty (both Hong Kong and PRC), Oasis Spa, Oasis Medical Centre as well as Glycel, ranging from single to double-digit growth when comparing with that of last year. Among these brands, Glycel and Oasis Spa in Hong Kong as well as the three Oasis Beauty centres located in PRC had recorded a double-digit growth in turnover. In addition, Oasis Beauty Store and salon in Macau had also recorded good performance which was opened in September 2018.
- Three new beauty centres located in Parklane Square Tuen Mun; Kornhill Plaza Taikoo

Shing; and Kwong Wah Plaza Yuen Long were opened under the brand name of Glycel. The two outlets in Kornhill Plaza and Kwong Wah Plaza have Oasis Medical Centres operating side by side with Glycel tapping on new locations with good customer flow.

- The Group has launched its new Oasis Hair Spa in August 2019, providing hair and scalp spa service targeting on a new range of customers and the performance was encouraging.
- At financial year end, the Group operated a total of 44 spa, beauty and medical centres in Hong Kong, PRC and Macau.

Product Sales Business

- Product sales of H2O+, Erno Laszlo, Eurobeauté and DermaSynergy all showed a decrease in turnover partly due to the closure of unprofitable outlets as well as the softening in the retail market while products sales in Glycel still recorded a double-digit growth when compared with that of last year.
- A new Glycel and Erno Laszlo outlets were opened in the newly renovated New Town Plaza Phase III in Shatin in early November 2019.
- As at 30 September, 2019, the Group operated a total of 13 retail outlets in Hong Kong and Macau.

Outlook

- The Group will continue to leverage its proven strengths to further consolidate its reputation in the market as a leading beauty services provider offering a wide range of trusted, efficacious treatments, delivered by expert staff to customers in relaxing and comfortable environment.
- Despite the recent social movements in Hong Kong still remains unresolved causing significant disruptions to purchasing motive of customers and travelers coming to Hong Kong, the Group's realignment towards beauty services and away from product sales as well as the direct focus on local consumers had less affected by the fall in visitors. In addition, with greater emphasis on building online presence and e-commerce options, investing in new equipment and treatment as well as prudent cost control, the Group is confident that it can continue to deliver.

(Hong Kong, 13th December, 2019) --- **Water Oasis Group Limited** (“Water Oasis” / the “Company”) (HKEX: 1161), a renowned beauty services and beauty product retail group, today announced the annual results of the Company and its subsidiaries (the “Group”) for the year ended 30th September, 2019 (“the year”). During the year, the Group delivered a satisfying positive performance within a very challenging macro environment.

Turnover for the year rose by 7.9%. At the same time the Group's gross profit margin further improved, reaching 92.6% against 92.4% last year. Profit for the year amounted to HK\$107.4 million, a rise of 12.9% over 2018. A primary driver behind these improvements was an ongoing shift in the ratio of product and service business. This ratio now stands at 18.2% (product) against 81.8% (service), from 20.8% and 79.2% a year ago. Basic earnings per share for the year amounted to 15.8 HK cents (2018: 12.8 HK cents).

The board of directors has recommended the payment of a final dividend of 7.0 HK cents per share, bringing the full-year dividend to 15.0 HK cents per share (2018: 8.5 HK cents).

Mr. Tam Siu Kei, Alan, Executive Director and Chief Executive Officer of Water Oasis, said, “Despite very difficult conditions both internationally and in Hong Kong, we have delivered on our

strengths and recorded a respectable profit. We see this as a strong testimony to the effectiveness of our long-term business strategy. Under that strategy, we have focused squarely on our beauty services business, invested heavily in new technology and equipment, and taken significant steps to expand our online presence.”

Business Review

Beauty Services

All the Group’s major OASIS-branded businesses performed well in the year to achieve year-on-year growth. A standout performer was Oasis Spa, which continued to generate strong demand and attract new customers. In the PRC, the Group’s three self-managed Oasis Beauty centres in Beijing also delivered excellent performances, driven by new equipment and a strengthening reputation as a premium service provider, supplemented by astute offers and targeted social media campaigns.

During the year, the Group introduced a new Oasis service, Oasis Hair Spa, operating in one of the Oasis Homme centres. The service delivers hair growth and improvement treatments for both men and women.

At year-end, the Group was operating a total of 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme centres), together with three self-managed Oasis Beauty centres in Beijing. There were a further 3 high-end Oasis Spa centres in operation. A further Oasis Beauty Store and salon operates in Macau.

In response to strong customer demand for the Group’s range of medical beauty services, the Group opened an additional two Oasis Medical Centres during the year, bringing the number in operation to 8 as at 30th September, 2019. This segment delivered steady year-on-year growth of 7.5%.

Besides, strong turnover growth of 19.1% was recorded for the Group’s self-owned Glycel brand during the year, reflecting both its overall quality and the high level of investment the Group has made in it, including the very successful adoption of celebrity Christine Kuo as the face of Glycel. The quality and innovation associated with Glycel services and products has driven strong growth since the brand’s acquisition, pushing up growth even in the year. The popularity of the brand prompted the Group to open three new Glycel outlets in the year, bringing the total store network in Hong Kong to 17, with a further Glycel outlet operating in Macau.

Product Sales

In January 2019, the Group acquired the “Water Juicery” brand, an established operation offering freshly made cold-pressed juice drinks with health and beauty benefits for online ordering. With a customer base already in place and a dedicated website operating, the Group expected to create a synergy effect on its operations in overall.

As at 30th September, 2019, the Group was operating 4 Erno Laszlo outlets in Hong Kong, and recently opened an Erno Laszlo counter in New Yaohan, a major department store with good traffic in Macau. There are also 3 H2O+ outlets in prime Hong Kong locations.

Outlook

The Group’s strategic business model gives it quiet confidence in its ability to weather any storm and continue to attract steady customers. Its realignment towards service and away from product, and its

direct focus on local (Hong Kong) consumers, both mean that it has been much less affected by the fall in visitor numbers to Hong Kong of the past few months, and the reduction in shopping among residents. Although some of the Group's beauty service users are adjusting the timing of their treatments, demand for beauty services remains strong and the Group is in a good position to nurture that demand going forward.

To do so, the Group intends to place even greater emphasis on further building its online presence and e-commerce options. This covers marketing, customer engagement and booking, and online product sales. It plans to devote more resources to enhancing its existing social media presence and boosting its online advertising and marketing tools. At the same time, it is working to simplify the customer registration process, making it easier for new customers to sign up online while also giving its data analysts access to valuable new data on customer trends and profiles.

As for e-commerce, the Group has already noted that its online payments rose by 156% year-on-year, signalling a major new sales channel that awaits further development. In the year ahead it will further enhance the e-shopping capabilities on the websites of its brands Glycel, Eurobeauté and Erno Laszlo. The online-only brand O~KO!beauty will also be supported further, delivering high quality lower-cost beauty products directly to younger users.

One side-effect of the social unrest has been a softening in market rents, and the Group will look to negotiate further with landlords as lease renewals arise to continue to keep rental costs under tight control.

The strong performance this year of the Group's Oasis Beauty centres in Beijing has prompted the Group to continue its search for other locations in that city that might be suitable for its Oasis Beauty services. It is also looking across the border to the southern part of the PRC for similar potential locations.

After such a promising performance across a difficult year, the Group has every reason to be quietly confident about prospects for the year ahead. Its focus for repeating this level of performance will be on maintaining the management excellence that has brought it so far; nurturing its loyal customers who have supported the Group through thick and thin; and continuing its strategic direction towards a service-oriented business offering high-value services for both men and women. Its tactical moves to do this will include balancing prudent cost-controls against steady investment in new treatments and new equipment.

Mr. Tam concluded, "We see a year ahead in which we will continue to leverage our proven strengths to further consolidate its reputation in the market as a leading beauty services provider that offers a wide range of trusted, efficacious treatments, delivered by expert staff in relaxing and comfortable environments. In today's fast-paced and sometimes stressful world, it is believed this level of service excellence has a place that will always be in demand. With the support of stakeholders across the spectrum, we are confident we can continue to deliver."

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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 while continuing to hold a strong product portfolio of self-owned and licensed brands. For more information, please visit www.wateroasis.com.hk

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