



Water Oasis Group Limited Announces 2020 Interim Results

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Outperforms Peers under Challenging Time with Online Product Sales up 150% Thanks to Successful Strategies for Managing Customers and Controlling Costs

FINANCIAL HIGHLIGHTS

- The Group's turnover for the period decreased by 4.0% to approximately HK\$365.9 million when compared with that of the same period last year. The decrease was a reflection of the challenges encountered by all businesses in Hong Kong as a result of the social unrest events and the outbreak of COVID-19 happened during this six months period.
- The Group's product sales mix rose to 20.1% from 19.6% while beauty services mix was adjusted to 79.9% from 80.4% of the same period last year.
- The Group correspondingly took decisive steps to control its costs including advertising, staff and rental. Total operating expenses for the period under review reduced by approximately 3.8% when compared year on year. These were achieved through switching of expensive traditional media campaign to social media channels and online platforms; cost-effective measures on redeployment of manpower and through negotiation with various landlords on reducing rentals and closing of non-performing stores.
- Profit for the period amounted to HK\$43.8 million. Excluding the loss on fair value change of investment properties, profit for the period amounted to HK\$47.3 million, representing a decrease of 14.1% when compared with that of the same period last year.
- Recommend the payment of an interim dividend of 6.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- For the period under review, both Glycel and Oasis Medical Centre managed to maintain a slight growth in turnover when compared year on year, despite the Group encountered an overall decrease in turnover.
- The Group has commenced its new Oasis Hair Spa operation in 2019 and the performance so far was encouraging.
- As at 31st March, 2020, the Group operates 12 Glycel Skinspas, 14 Oasis Beauty centres, 2 Oasis Homme centres, 3 Oasis Hair Spas, 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC and 1 Oasis Beauty Store in Macau.

Product Sales Business

- Although product sales for the Group recorded a mild decrease of 1.7%, Glycel managed to record an increase in product sales with a double digit growth. Sales performance on online platform had also increased by around 150% during the period under review.

- During the period under review, the Group has opened three retail outlets, one Erno Laszlo and one Glycel outlet located at New Town Plaza Shatin as well as one Erno Laszlo outlet in New Yaohan located in Macau.
- As at 31st March, 2020, the Group operated a total of 15 retail outlets for all brands located in Hong Kong and Macau.

Outlook

- The Group intends to continue with planned new store openings in near future with its combined Oasis Beauty and Oasis Medical Centre flagship outlets to be opened in the Langham Place in Mongkok, located next to our Glycel Skinspa. In addition, another Glycel outlet is also planned to open in Tseung Kwan O in the second half of the year.
- Besides, the Group will continue to strengthen its e-commerce and online shopping, coupled with efficient home delivery options.
- The Group shall continue to adopt prudent financial management with cost control measures implemented during this challenging environment. Meanwhile, the Group will do its utmost to create a safe, hygienic shopping and beauty treatment environment to our customers to make them feel relaxed and confident.

(Hong Kong, 22nd May, 2020) --- **Water Oasis Group Limited** (“Water Oasis” / the “Company”) (HKEX: 1161), a renowned beauty services and beauty product retail group, today announced the unaudited interim results of the Company and its subsidiaries (the “Group”) for six months ended 31st March, 2020.

For the six months ended 31st March, 2020, the Group’s turnover fell by 4.0% by comparison with the same period last year, to approximately HK\$365.9 million. This fall reflected an extremely challenging period for all businesses in Hong Kong. The city was affected in the second half of 2019 by the social unrest that widely disrupted normal routines, followed in early 2020 by the outbreak of COVID-19. Both of these events, but especially the latter, led to a reduction in the number of customers willing or able to visit the Group’s beauty service and product sales outlets. In response, the Group moved quickly to leverage its existing online sales platforms to boost sales of its key skincare and beauty brands, with considerable success. Nevertheless, profit for the period amounted to HK\$43.8 million, compared with HK\$55.0 million for the same period last year. Excluding the loss on fair value change of investment properties, profit for the period amounted to HK\$47.3 million, representing a decrease of 14.1% when compared with that of the same period last year.

The Group had approximately HK\$377.7 million in cash in hand as at 31st March, 2020. The Board has resolved to declare an interim dividend of 6.0 HK cents per share (six months ended 31st March, 2019: 8.0 HK cents per share) for the six months ended 31st March, 2020.

Mr. Tam Siu Kei, Alan, Executive Director and Chief Executive Officer of Water Oasis, said, “It is worth noting that our performance for the first four months of the period (i.e. October 2019 to January 2020) was robust, despite the impact of social unrest. Only with the arrival of COVID-19 and the strict public health measures that followed did we see a significant fall-off in performance, as was to be expected. Even so, the decrease in sales recorded by us for the period is lower than the average drop for similar market peers, thanks to the decisive steps we took to lower our costs.”

Business Review

The Group's sales mix as at 31st March, 2020 stood at 79.9% services to 20.1% retail with a slight rise in the retail percentage following the increased strong sales of skincare and beauty products via online platforms.

Beauty Services

Oasis Beauty outlets experienced a fall in turnover for the period by comparison with the previous one due to the negative macro environment. On a positive note, however, the expected downturn in its operations has been less marked than the average for the industry. This suggests that its strategies for managing customers and controlling costs have been successful.

The Group's Oasis Medical Centre continued to prove very successful, managing to record modest turnover growth despite external events. Oasis Medical Centre has been one of the Group's standout success stories of the past few years, and its ability to thrive even in the harsh conditions of the period speaks volumes about the unique and effective services that it offers.

The Group's new Oasis Hair Spa operation, first launched in 2019, have continued to attract an encouraging response in the period.

Although the Group's three self-managed Oasis Beauty centres in the PRC were also affected by the COVID-19 disruptions, recording a small drop in turnover, the Group has been encouraged to note that these business shall recover quickly as the situation has stabilised, indicating strong and persistent demand from PRC customers.

The Glycel brand, combining Skinspa treatment operations with product sales, performed steadily and registered a rise in revenue year on year. A number of new treatments rolled out proved popular.

As at 31st March, 2020, the Group operates 12 Glycel Skinspas, 14 Oasis Beauty centres, 2 Oasis Homme centres, 3 Oasis Hair Spas, 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong. In the PRC, 3 self-managed Oasis Beauty centres continued to operate. One Oasis Beauty Store operates in Macau.

Product Sales

Glycel products continued to supplement and support the Glycel Skinspa services, driving the overall Glycel performance to achieve slight growth. In addition, the Erno Laszlo brand managed to increase product sales year on year and deliver modest growth. The Group launched Christmas promotions for its retail brands from September 2019, which generated a very good response due to their excellent value for money.

The Group's efforts to continue building up its online pipeline for retail sales continued to generate success. Overall, online product sales rose by around 150% year on year, bringing in new customers and providing a reliable platform for existing customers.

As at 31st March, 2020, the Group was operating 2 H2O+ outlets, 5 Erno Laszlo stores, and 6 Glycel stores in Hong Kong. In Macau, it continued to operate a Glycel outlet, and added an Erno Laszlo outlet in October 2019.

Outlook

While it is unable to predict the direction of the economy in the light of COVID-19 and potential further social unrest in Hong Kong, the Group is quietly confident in its ability to perform steadily if the Hong Kong Government measures to reassure shoppers and stimulate the economy are taken promptly and effectively. At this stage, the Group is anticipating a period of a year or even more for the economy to stabilise and for customers to regain full confidence in the traditional shopping and beauty treatment experiences. The Group is therefore planning to do its utmost to create safe, hygienic shopping and beauty treatment environments. The Group has already taken a number of steps to enhance the hygiene status of its outlets, ensuring that it is operating fully in line with new Hong Kong Government guidelines.

The Group intends to continue with planned new store openings in the coming months. A combined Oasis Beauty and Oasis Medical Centre flagship outlets are scheduled to open shortly in the prestigious Langham Place in Mong Kok; these will join the existing Glycel operations in the same location. Another Glycel outlet will also be opened in an upmarket shopping mall in Tseung Kwan O in the second half of the year. At the same time, the Group will remain rigorous in appraising the performance of its existing physical stores, and will not hesitate to close down or relocate underperforming stores. It will continue to work hard in its negotiations with landlords to ensure that lease levels remain reasonable in the new environment.

Meanwhile, given the time it may take to fully rebuild public confidence, the Group intends to devote further resources to strengthening and enhancing its e-commerce and online shopping facilities, which are coupled with efficient home delivery options. With delivery of products ordered online, the Group is increasing the scope of the special offer coupons it includes with deliveries. These are proving very effective in encouraging e-shoppers to consider using the Group's beauty services and keeping them engaged with real-world developments.

Mr. Tam concluded, "The rigorous cost-controls, our tradition of prudent financial management, our flexibility in adapting to challenging environment, and our strong reputation and loyal customer base, have all been important in enabling us to ride out the past six months safely and to look ahead with confidence. Assuming that the challenges can be brought under control, we believe our customers – primarily Hong Kong locals – will not hesitate to reengage with the brands and services that they trust, while also continuing to take advantage of our convenient and ever-expanding online sales options."

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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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