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Water OASIS Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2021

FINANCIAL HIGHLIGHTS

- The Group's revenue for the financial year increased by 56.2% to approximately HK\$829.9 million when compared with that of last year. The significant increase in revenue was mainly due to the contribution of the service segment. This was a true reflection of the restoration of consumer confidence due to a more stable situation of COVID-19 in the second half of the year.
- The Group's product sales mix decreased to 15.1% from 22.2% while beauty services mix was increased to 84.9% from 77.8% when compared with that of last financial year.
- For the year under review, the major contributors of Oasis brand portfolio including the Oasis Beauty, Oasis Medical and Oasis Spa as well as Glycel were all performed outstanding, recording a double-digit increase in sales as well as an increase in gross profit margin.
- The Group's total costs consisting of advertising, rental, staff and other costs as a whole recorded a drop in percentage to revenue on a year on year basis which contributed directly to the bottom line. Besides, the Government's Employment Support Scheme subsidy and the anti-epidemic subsidies for the retail and beauty service industry also contributed to this year's financials.
- The Group has acquired a beauty service group, Millistrong and was completed on 28th June, 2021. Millistrong Group is a longstanding beauty service provider as well as a distributor of beauty products.
- Profit for the year amounted to HK\$170.0 million, representing an increase of 519.2% when compared with that of last financial year.
- Recommend the payment of a final dividend of 16.5 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- As at 30th September, 2021, the Group including newly acquired Millistrong group for all brands operates a total of 53 beauty salons in Hong Kong, 1 outlet in Macau as well as 3 in PRC.
- Apart from the outstanding sales performance of almost all the existing Glycel outlets, the new relocation of Glycel outlet to a very spacious 6,000 sq. ft. outlet in Festival Walk together with the new opening of Glycel outlet in The LOHAS had made Glycel a better performance in this financial year.
- All Oasis Beauty and Oasis Medical centres performed tremendously well in sales when compared with that of last year. The relocation of both Oasis Beauty and Oasis Medical to prestigious location of Langham Place had proved its success. Besides, the newly opened Festival Walk outlet included a new Oasis Medical also contributed to the sales improvements.

Product Sales Business

- As at 30th September, 2021, the Group including newly acquired Millistrong group for all brands operates a total of 17 retail outlets located in Hong Kong, 1 outlet in Macau as well as 1 outlet in PRC.
- Product sales performed better than last financial year but still below its performance before the pandemic due to the restriction of PRC visitors coming to Hong Kong.

Outlook

- The Group is well forward with plans to open new outlets for its major brands with confidence considering that now is the best time for further expansion and growth.
- Glycel outlet located in One Pacific Centre has expanded its service area by approximately 3,400 sq. ft. to 4,900 sq. ft. in December this year. In addition, the Group has also secured a prime location of over 10,000 sq. ft. in Shatin's Royal Park Hotel in which a new Glycel outlet and an Oasis Medical Centre will be opened in early January next year.
- Other upcoming outlet openings planned for 2022 include a new space at the Gateway Arcade in Tsim Sha Tsui, where the existing Oasis Spa will be supplemented by a Glycel store and an expanded Oasis Medical Centre and is planned to open in June 2022. The Group in the same month also intends to open a much-expanded Oasis Medical Centre on an entire floor of the Soundwill Plaza in Causeway Bay, which significantly increasing the space available for treatment.
- The Group's forward plan in the coming year will generate a strong forward momentum making it ready to embrace new customers with new store openings; new products and treatment; refurbished stores; as well as the latest new equipment. With a strong head-start in the post-COVID climate, the Group is looking forward to showcasing further achievements in the future.

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Water Oasis Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 30th September, 2021 (the “Consolidated Financial Statements”) as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the year ended	
		30th September,	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	829,935	531,374
Purchases and changes in inventories of finished goods		(64,344)	(50,355)
Other income		19,792	28,398
Other gains or losses		(130)	(7,720)
Staff costs		(305,258)	(234,487)
Depreciation		(133,226)	(105,749)
Finance costs	4	(6,539)	(8,124)
Other expenses	5	(130,389)	(116,751)
Profit before taxation		209,841	36,586
Taxation	6	(39,803)	(9,126)
Profit for the year	7	170,038	27,460
Profit (loss) for the year attributable to:			
Owners of the Company		170,340	27,736
Non-controlling interests		(302)	(276)
		170,038	27,460

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

		For the year ended	
		30th September,	
		2021	2020
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Profit for the year		170,038	27,460
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>3,048</u>	<u>1,342</u>
Total comprehensive income for the year		<u>173,086</u>	<u>28,802</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		173,413	29,092
Non-controlling interests		<u>(327)</u>	<u>(290)</u>
		<u>173,086</u>	<u>28,802</u>
Earnings per share			
Basic	8	25.0 HK cents	4.1 HK cents
Diluted	8	<u>25.0 HK cents</u>	<u>4.1 HK cents</u>

Consolidated Statement of Financial Position

		As at 30th September,	
		2021	2020
	Notes	HK\$'000	HK\$'000
Non-current assets			
Intangible assets		79,148	59,075
Goodwill		29,673	3,012
Investment properties		227,915	227,188
Property and equipment		80,048	51,873
Right-of-use assets		296,480	242,374
Rental deposits		38,704	27,389
Deferred tax assets		6,873	7,792
		<u>758,841</u>	<u>618,703</u>
Current assets			
Inventories		65,245	48,494
Trade receivables	10	27,611	19,766
Contract costs		49,217	57,815
Financial assets at fair value through profit or loss		738	—
Prepayments		36,031	7,624
Other deposits and receivables		49,085	21,074
Tax recoverable		1,786	2,597
Bank balances and cash		369,662	418,516
		<u>599,375</u>	<u>575,886</u>
Current liabilities			
Trade payables	11	3,907	4,778
Accruals and other payables		129,399	91,566
Contract liabilities		590,535	649,479
Secured mortgage loan		3,407	3,334
Lease liabilities		103,869	99,285
Tax payable		19,976	4,981
		<u>851,093</u>	<u>853,423</u>
Net current liabilities		<u>(251,718)</u>	<u>(277,537)</u>
Total assets less current liabilities		<u>507,123</u>	<u>341,166</u>
Capital and reserves			
Share capital		68,055	68,055
Reserves		284,366	148,383
Equity attributable to owners of the Company		<u>352,421</u>	<u>216,438</u>
Non-controlling interests		<u>6,344</u>	<u>6,671</u>
Total equity		<u>358,765</u>	<u>223,109</u>
Non-current liabilities			
Secured mortgage loan		3,187	6,594
Lease liabilities		126,122	95,826
Deferred tax liabilities		19,049	15,637
		<u>148,358</u>	<u>118,057</u>
		<u>507,123</u>	<u>341,166</u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared on a going concern basis as at 30th September, 2021, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below:

Except as described below, in the current year, the Group adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30th September, 2020.

New and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7, HKFRS 9	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)
Amendments to References to the Conceptual Framework in HKFRS Standards	

The application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective except for the amendment to HKFRS 16 as described below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
HKFRS 17	Insurance Contracts and the related amendments ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1st January, 2021

² Effective for annual periods beginning on or after 1st April, 2021

³ Effective for annual periods beginning on or after 1st January, 2022

⁴ Effective for annual periods beginning on or after 1st January, 2023

⁵ Effective for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendment to HKFRS 16 - Covid-19-Related Rent Concessions beyond 30th June, 2021

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1st October, 2020 and applied the practical expedient during the period ended 30th September, 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30th June, 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$107,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 30th September, 2021 due to this early adoption.

3. REVENUE 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) Product segment – the sales of skincare products
- (ii) Service segment – provision of treatment services in beauty salons, spas and medical beauty centres

Disaggregation of revenue from contracts with customers

Revenue recognised during the year are as follows:

	Product segment		Service segment		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Time of revenue recognition						
At a point of time	125,211	117,950	–	–	125,211	117,950
Over time	–	–	704,724	413,424	704,724	413,424
	<u>125,211</u>	<u>117,950</u>	<u>704,724</u>	<u>413,424</u>	<u>829,935</u>	<u>531,374</u>

The following is an analysis of the Group's revenue and results by operating segments for the year:

	Product segment		Service segment		Elimination		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Sales to external customers	125,211	117,950	704,724	413,424	-	-	829,935	531,374
Inter-segment sales	20,160	20,486	-	-	(20,160)	(20,486)	-	-
Total	145,371	138,436	704,724	413,424	(20,160)	(20,486)	829,935	531,374
Segment results	15,840	18,353	257,629	79,481	-	-	273,469	97,834
Other income							19,792	28,398
Other gains or losses							(130)	(7,720)
Finance costs							(6,539)	(8,124)
Central administrative costs							(76,751)	(73,802)
Profit before taxation							209,841	36,586

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 the resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates at terms determined.

Geographical information

The Group's operations are located in Hong Kong, Macau and the People's Republic of China (the "PRC"). The PRC includes Mainland China but excludes Hong Kong and Macau.

The Group's revenue by geographical location is detailed below:

	2021 HK\$'000	2020 HK\$'000
Hong Kong and Macau	774,145	498,329
The PRC	55,790	33,045
	829,935	531,374

4. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expenses on secured mortgage loan	180	254
Interest expenses on lease liabilities	6,330	7,870
Other interest expenses	29	-
	6,539	8,124

5. OTHER EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,859	1,360
Amortisation of intangible assets	1,614	101
Bank charges	28,806	26,976
Marketing expenses	21,996	11,111
Expenses relating to leases of		
– Short-term lease expense	4,892	19,983
– Low-value lease expense	638	469
– Variable lease payments not included in the measurement of lease liabilities	3,765	2,299
Building management fees, government rent and rates	22,061	19,619
Cleaning and laundry	5,402	4,734
Transportation, storage and delivery	5,908	5,659
Printing, stationery and administration	8,330	7,914
Utilities and telecommunications	3,684	2,986
Others	21,434	13,540
	<u>130,389</u>	<u>116,751</u>

6. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	29,065	(1,443)
– The PRC Enterprise Income Tax (“EIT”)	6,717	6,475
– Over provision in prior years	(395)	(365)
	<u>35,387</u>	4,667
Deferred taxation	<u>4,416</u>	4,459
	<u>39,803</u>	9,126

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year 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 EIT was calculated at the statutory income tax rate of 25% (2020: 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 year at the rates of taxation prevailing in the countries/places in which the Group operates.

7. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year is stated at after charging:		
Depreciation:		
– Property and equipment	28,171	22,231
– Right-of-use assets	105,055	83,518
and after crediting:		
Interest income on bank deposits	1,822	3,496
Government subsidies (Note)	18,444	31,898
Rental income from investment properties net of negligible direct operating expenses	3,437	3,448
Rent concessions related to COVID-19	6,688	12,228
Other rent concessions	–	944
	<u> </u>	<u> </u>

Note: During the year ended 30th September, 2021, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK\$13,294,000 (2020: HK\$26,558,000) under the Employment Support Scheme which was included in staff costs; other subsidies of HK\$5,150,000 (2020: HK\$5,340,000) under the Anti-epidemic Fund of the Hong Kong Government which was included in other income. The Group has complied all attached conditions for both years.

8. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>170,340</u>	<u>27,736</u>
	Number of shares	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>680,552,764</u>	<u>680,552,764</u>

9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of 5.5 HK cents (2020: 6.0 HK cents) per share	37,430	40,833
Final dividend proposed after the end of the reporting period of 16.5 HK cents (2020: Nil) per share	<u>112,291</u>	<u>–</u>
	<u>149,721</u>	<u>40,833</u>

The 2021 final dividend of 16.5 HK cents (2020: Nil) per share, amounting to approximately HK\$112,291,000 (2020: Nil), has been proposed by the directors of the Company after the end of the reporting period and is subject to approval by the shareholders in the annual general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2021 were approximately HK\$37,430,000 (2020: HK\$88,472,000).

10. TRADE RECEIVABLES

The Group generally allows its trade debtors' credit terms of 30 days to 180 days. The following is an aging analysis of trade receivables, net of allowances for credit losses, presented based on the invoice dates, at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	17,341	15,492
31 to 60 days	3,171	473
61 to 90 days	2,599	498
91 to 120 days	2,336	1,899
121 to 150 days	1,440	1,388
151 to 180 days	724	–
Over 180 days	–	16
	<u>27,611</u>	<u>19,766</u>

11. TRADE PAYABLES

The following is an aging analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	3,035	3,746
31 to 60 days	851	919
Over 60 days	21	113
	<u>3,907</u>	<u>4,778</u>

The credit period on purchases of goods ranges from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all these payables are within the credit time frame.

12. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall, the year ended 30th September, 2021 was a very positive one for the Group despite the ongoing impact of the COVID-19 pandemic throughout the year. The restoration in consumer confidence in the second half saw the Group's sales increase, especially in beauty service, and all the Group's service brands performed healthily. Consequently, the Group's consolidated revenue rose by 56.2% compared with its revenue for the year ended 30th September, 2020. This significant increase in sales reflects the major lift in customer usage and spending over the year, and the changing mood in Hong Kong as widespread consumer confidence has returned.

The consolidated gross profit ("GP") margin for the Group rose year on year, from 90.5% to 92.2%, as a result of an increasing predominance of higher-margin beauty services in the sales mix – with its beauty services moving to 84.9% of the sales mix as against 77.8% last year. Apart from the increased contribution on increased GP margin, the impressive sales increase mentioned above had driven the total profit for the year to a historical high level of HK\$170.0 million, against HK\$27.5 million for 2020.

The Group managed to keep its core costs as a percentage of revenue stable for the year. Advertising expenditure rose somewhat, from 1.7% to 2.2%. This rise reflected the Group's efforts to promote the new products and services that were launched in the year, the most important of which are described in the relevant brand sections below. However, rental costs fell as a percentage of revenue, from 22.5% last year to 16.3%, as the leasing environment eased and the Group was able to negotiate improved deals for its rental renewals. Staff costs as a percentage to revenue also fell, from 44.1% last year to 36.8% this year. As previously reported, this was due to periods of no-pay leave taken by staff in the first half of the year when anti-pandemic measures were in place, and the Employment Support Scheme subsidy received from the Government for qualified staff.

Although the total number of Water Oasis stores and outlets remained the same at the end of the year (61) as compared with that of last year, this disguises some significant changes in the make-up and distribution of individual stores. One major change involved the relocation of the Glycel outlet in the Festival Walk shopping mall. This store, originally of 1,600 sq. ft., moved in June 2021 to a very spacious 6,000 sq. ft. location in the same mall, which it now shares with a new Oasis Medical Centre. This has raised the number of Oasis Medical Centres operating in Hong Kong from 8 to 9. Elsewhere, in September 2021 the Glycel outlet in the Entertainment Building in Central Hong Kong was relocated from the 26th to the 17th floor, a move which involved almost doubling the floor area, from 2,440 sq. ft. to 4,637 sq. ft.. At the same time, the Oasis Beauty branch in Century Square was relocated to the 26th floor of the Entertainment Building to replace the Glycel outlet there, increasing its floor area from 1,408 sq. ft. to 2,440 sq. ft.. These changes have significantly expanded the Group's overall exposure in terms of store area.

Earlier, in November 2020, the Group opened a new Glycel outlet in The LOHAS, an upmarket shopping mall in the up-and-coming Tseung Kwan O area of eastern Hong Kong. Also in Tseung Kwan O, in July 2021 a substantial new Oasis Beauty outlet entered operation in the prestigious Park Central mall. A more recent new opening in November 2021, after the end of the year under review, was of a new Oasis Medical branch in The LOHAS in association with the existing Glycel store there.

These openings were offset in the year by the closures of three small stores. One was the Erno Laszlo outlet in Beauty Avenue in Langham Place, the result of Beauty Avenue deciding not to renew its lease with Langham Place upon its expiry. The other closures were of two small Glycel counters in underperforming Nuance duty-free locations, one in Hong Kong and one in Macau.

With its acquisition of Millistrong in June 2021, the Group has added a new network of outlets carrying Millistrong's beauty products and services. At year-end, these included 8 product retail stores for two brands in Hong Kong, one retail store in the PRC, 5 spa outlets in Hong Kong, and one medical beauty outlet.

Capex for the year more than doubled from last year's HK\$23.3 million, rising to HK\$51.4 million. This was mainly due to spending on the major new store openings described above, in Festival Walk, The LOHAS and Park Central. Significant resources were also devoted to purchasing the latest and best equipment for use in the Group's spa and medical beauty treatments.

The Group finished the year with a total staff count of 968, up from 775 last year. This rise included the acquisition of 152 new staff as part of the Millistrong acquisition, along with 41 new staff associated with new stores opening under Water Oasis.

The Group's bank balances and cash reserves as at 30th September, 2021 amounted to approximately HK\$369.7 million. Its current ratio was 0.7:1 and its gearing ratio was 1.8%. The board of directors recommend the payment of a final dividend of 16.5 HK cents per share, making the full-year dividend 22.0 HK cents (2020: 6.0 HK cents) per share.

BUSINESS REVIEW

BEAUTY SERVICES

OASIS Portfolio

The Group's Oasis portfolio brings together a number of closely related beauty services under the Oasis brand profile. These include the core services businesses Oasis Beauty and Oasis Spa, the professional medical beauty specialist Oasis Medical Centre, and various smaller supplementary services, namely Oasis Homme, Oasis Hair Spa, Oasis Mom and Oasis Florist.

In a rapidly recovering local environment, all the Group's Oasis beauty services brands performed strongly in the year, with all except for the Macau Oasis Beauty Store achieving double-digit growth year on year.

A new Salus Talent treatment was rolled out in Oasis Beauty from February 2021 onwards. This treatment uses non-contact electromagnetic field technology to generate a "turbo-current" cycle that stimulates the motor neurons of the muscles and provides a high-intensity workout, and is effective in achieving overhead muscle gain and fat loss, reducing muscle pain, and restoring elasticity and firmness. Another new treatment, launched in July, utilises Plasma Duet technology to rejuvenate the skin and enhance its powers of absorption.

At year-end, the Group was operating 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme centres), up from 16 at the same time the previous year, along with one Oasis Beauty Store in Macau and three self-owned centres in the PRC. It was also operating three Oasis Spa outlets, and four Oasis Hair Spas.

Oasis Medical Centre

The nine Oasis Medical Centres in Hong Kong at year-end (one up from the previous year) recovered strongly after a downturn induced by COVID-19 restrictions last year. The growing reputation of the centres and their continual influx of new and advanced medical beauty equipment and treatments have kept customers highly engaged with the brand, and generated steady and strong traffic especially in the second half of the year.

Oasis Medical Centre rolled out new generation Pico4Genius laser spot removal equipment in June 2021 with a series of advanced treatment options. The new technology is FDA-approved. In August it also introduced Oligio, a highly effective skin tightening treatment that uses unipolar RF to heat the skin and stimulate the renewal of collagen and elastin. This followed on from the Firmix 3D Wrinkle Remover equipment launched in March, utilising 4MHZ RF energy and a 3D rotation technique to lock the collagen network layer beneath the skin.

Oasis Hair Spa

The Group launched its Oasis Hair Spa service in 2019, and has since expanded the number of locations to four. They are each located within larger Oasis Beauty centres. The Hair Spas offer advanced and high-end hair and scalp treatments that are a natural extension of the beauty treatments available for face and body provided by Oasis Beauty. Uptake has been good and results for the year very encouraging.

Glycel

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales. Glycel's spa services performed well over the year, offset only slightly by a small drop in Glycel product sales. The brand was boosted by the opening of a major new Glycel outlet in The LOHAS in November 2020, together with the relocation of its Festival Walk outlet to a huge 6,000 sq. ft. space in June 2021 in conjunction with a new Oasis Medical Centre outlet there. The significant expansion of floorspace at these two locations has led to an uptick in custom and a high public profile for the two brands.

Product highlights for the year included a new Swiss Perfection Essence-in-Mask that blends properties of hydrating, detoxifying and whitening the cells and refining the pores for exceptional skin, while one treatment highlight was the launch of the Red Treasure Swiss Perfection Signature Facial, blending advanced bio-activation and manual activation to activate skin cells on the face.

As at 30th September, 2021 the Group was operating 18 Glycel outlets in Hong Kong, the same as the previous year. However, as mentioned above, these included two new or relocated outlets of considerably enhanced size.

PRODUCT SALES

Erno Laszlo

The closure of the Erno Laszlo outlet in Beauty Avenue in Langham Place in July 2021 reduced the number of Erno Laszlo outlets to four at year end. This resulted in a single-digit drop in product sales for the year compared with the previous one. The brand's products continue to be refreshed and expanded; for instance, in the year it launched VTM Micro-Essence, a restorative facial essence lotion scientifically formulated to treat dry, pigmented, and damaged skin.

Eurobeauté and DermaSynergy

The Group's Eurobeauté brand includes a range of products used in and sold to customers at the Group's spas and beauty centres, while its self-owned DermaSynergy brand offers various skincare and related beauty products for consumers and is mostly sold at Oasis Medical Centres. Of the two, Eurobeauté is the predominant brand, with sales of some five times those of DermaSynergy. Eurobeauté experienced a small single-digit drop in sales for the year, while DermaSynergy products sold well in line with the strong results and expansion of Oasis Medical Centres.

Eurobeauté launched a new product line, Water Boost, in June 2021. Including an essence and cream, the Water Boost products use a 2-step formula to activate the self-generating water cycle and boost skin moisture.

WaterJuicery

This brand under the Oasis product portfolio offers healthy, freshly squeezed fruit and vegetable juice drinks for consumers, which is ordered online and delivered to customers' doors. The brand turned in a very strong performance for the year, expanding its product range and attracting considerably more custom. It was boosted by the introduction of a new 'healing tea' product that has performed very well since its launch.

H2O+

This longstanding US skincare brand is sold in two outlets in Hong Kong. One new product in the year was the Hydration Age Renew Collection, comprising an eye cream, hydro-serum, and night mask.

Millistrong portfolio

The newly-acquired Millistrong Group includes two retail product brands, one with eight outlets and the other sold in a single outlet, along with a spa brand with five outlets and a single medical beauty location. These brands all have longstanding and loyal customer bases, and new products and services continued to be rolled out in the three months (July, August and September) after the Group completed its acquisition on 28th June, 2021 in which the Group has taken control. Results have been steady and the group sees the Millistrong acquisition as holding much potential for future development.

Prospects

COVID-19 still affected the Group's operations in the first half of the year, but as the pandemic situation stabilised in the second half, the Group's performance improved steadily. At the local level, Hong Kong is now almost back to normal with COVID-19 well under control. This has set the scene for increased consumer confidence and rising spending by locals, especially as foreign travel remains difficult or impossible for most Hong Kong people.

Given this context, the Group believes that the prospects for steady ongoing business growth are strong. Added to this is the fact that, as a result of the pandemic, rental rates have declined and landlords are more prepared to negotiate than they have been for a long time. On the back of this, the Group has negotiated some excellent rental deals that are enabling it to expand its floor space, attract more customers, and expand its market share.

Meanwhile, the Group is well forward with plans to open new stores for its major brands. As mentioned above, in November this year, after year-end, it opened a large new Oasis Medical Centre in The LOHAS shopping mall. Glycel has also expanded its existing outlet in One Pacific Centre in December this year, increasing its service area by 3,374 sq. ft. to 4,852 sq. ft.. In addition, it has also secured a prime location of over 10,000 sq. ft. in Shatin's Royal Park Hotel which will open with a new Glycel outlet and an Oasis Medical Centre early in the new year. This prestigious and eye-catching flagship location will cement the Group's presence in this busy area. Other upcoming

outlet openings planned for 2022 include a new space at the Gateway Arcade in Tsim Sha Tsui, where the existing Oasis Spa will be supplemented by a Glycel store and Oasis Medical Centre. Opening is tentatively scheduled for June 2022. Also in that month, the Group intends to open a much-expanded Oasis Medical Centre on an entire floor of the Soundwill Plaza in Causeway Bay, significantly increasing the space available for treatments.

In the belief that there is much scope for further expansion and growth and that now is the best time to be planning for the future, in June the Group acquired Millistrong. This well-established Hong Kong beauty product and services group has been operating in the city since 2003, and has built up a solid and loyal customer base. Besides, the acquisition of Millistrong offers the Group many opportunities to exploit synergies between the two groups' operations to further grow its reputation and market share. For example, the Group is able to tap into the extensive Millistrong database to promote its Oasis offerings, and vice versa. It has already begun to place some Oasis products for sale in Millistrong outlets. Other synergies between the two operations should enable the Group to further lower costs, in areas such as online marketing and the operation of media platforms and online shopping channels.

Online product sales have continued to rise in the past year, and the Group will continue to devote resources to its online sales platforms to keep this trend going in the coming year.

The Group's diligent efforts to move Water Oasis forward and plan for the future in a year when many businesses have been struggling to cope with the effects of the pandemic have reaped excellent rewards. As consumption of beauty products and services has normalised in recent months, the Group has been ready to embrace new customers with new products, refurbished stores, and the latest new equipment. It has generated a strong forward momentum, and has plans to continue this momentum into the coming year with new store openings and the introduction of an exciting range of new products and equipment. With a strong head-start in the post-COVID climate, the Group is looking forward to showcasing further achievements in the coming months.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2021 amounted to approximately HK\$369.7 million (2020: HK\$418.5 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2021, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$358.8 million (2020: HK\$223.1 million), was approximately 1.8% (2020: 4.4%).

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 30th September, 2021.

CAPITAL COMMITMENTS

The Group had capital commitments of HK\$3.7 million as at 30th September, 2021 (2020: HK\$0.3 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2021, the Group employed 968 staff (as at 30th September, 2020: 775 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may 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.

FINAL DIVIDEND

The Board has proposed a final dividend of 16.5 HK cents per share for the year ended 30th September, 2021. The proposed final dividend, if approved at the forthcoming annual general meeting on Friday, 18th February, 2022 (the "AGM"), will be dispatched to the shareholders whose names appear on the register of members of the Company (the "Register of Members") at the close of business on Friday, 25th February, 2022.

CLOSURE OF REGISTER OF MEMBERS

- (i) For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 15th February, 2022 to Friday, 18th February, 2022, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14th February, 2022.
- (ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 24th February, 2022 and Friday, 25th February, 2022, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23rd February, 2022. The relevant dividend warrants will be dispatched to shareholders on Monday, 14th March, 2022.

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 has reviewed the accounting principles and practices adopted by the Group and the audited Consolidated Financial Statements of the Group for the year ended 30th September, 2021 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Consolidated Financial Statements.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30th September, 2021 as set out in this announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30th September, 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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

During the year ended 30th September, 2021, the Company did not redeem any of the listed securities of the Company nor did the Company or its subsidiaries purchase or sell any such securities.

Neither the Company nor its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any rights in relation to convertible securities, options, warrants or similar rights during the year ended 30th September, 2021.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 30th September, 2021, except for certain deviations as more specifically described below.

CG Code provisions	Description of deviations
A.1.3	<p>Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.</p> <p>However, due to the delay in publication of the final results announcement of the Group for the year ended 30th September, 2020 (the “2020 Final Results”), the Company had failed to comply with such requirements with proper prior notice for the board meetings convened for approval of 2020 Final Results.</p>
C.1.2	<p>The Company’s management should provide all Members of the Board with monthly updates giving a balanced and understandable assessment of the Group’s performance, position and prospects in sufficient detail to enable the Board as a whole and each director of the Company to discharge their relevant duties.</p> <p>Due to the delay in publication of 2020 Final Results, the management of the Company has failed to provide any management updates on a monthly basis during the six-month period ended 31st March, 2021.</p>

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company’s securities throughout the year ended 30th September, 2021.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to the 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 annual report of the Company for the year ended 30th September, 2021 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, 30th December, 2021

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.