

[For Immediate Release]



## Water Oasis Group Limited Announces 2022 Annual Results

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### Strong position to benefit from Returning Sales

#### FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 30th September, 2022 increased by only 1.4% to approximately HK\$841.9 million when compared with that of last financial year. The Group's revenue was significantly affected by the 104 days mandatory government closure order on all our beauty services outlets due to the outbreak of the 5th wave pandemic which was around one half more than last financial year, but was offset by the full year revenue contribution of the Millistrong Group acquired in June 2021.
- The mandatory closure order of beauty salons had resulted in a change in sales mix. The Group's product sales mix was increased to 20.2% from 15.1% while beauty services sales mix was lowered to 79.8% from 84.9% when compared with that of last financial year.
- The Group's costs on advertising, staff, rental and depreciation continued to be kept under tight control given the unpromising environment. Rental, staff and depreciation costs rose due to the full year effect on increased staff numbers and outlets as a result of stores expansion and the acquisition of Millistrong Group.
- The Group's profit for the year was also affected by the derecognition adjustment of financial assets amounting to approximately HK\$33.4 million, as a result of the full settlement of a dispute arising from the Group's acquisition of the Millistrong Group in June 2021 made between the Company, the vendor and the guarantors
- Profit for the year amounted to HK\$66.9 million, representing a decrease of 60.7% when compared with that of last financial year.
- Recommend the payment of a final dividend of 7.5 HK cents per share.

#### OPERATION HIGHLIGHTS

##### Beauty Services Business

- As at 30th September, 2022, the Group including the brands of Glycel, Oasis Beauty, Oasis Medical, Oasis Spa, Oasis Dental, spa ph+, AesMedic Clinic and 32°C operates a total of 57 beauty salons in Hong Kong, 2 outlets in Macau as well as 3 outlets in PRC.
- The Group has been active throughout the COVID-affected year in planning for the post-COVID future and preparing for a return to normality. Effort was expended during the year on new store openings, store expansions and renovations
- For the year under review, a Glycel skinspa flagship store was opened in Royal Park Hotel Shatin. Glycel outlet in Tsim Sha Tsui Pacific Centre was also relocated to Gateway with additional floor area sitting next to Oasis Spa and Oasis Medical, making the entire floor occupied by our Group's owned businesses. Besides, two new Oasis Medical centres were opened in The LOHAS and Popcorn Mall in Tseung Kwan O, while Oasis Beauty in Causeway Bay Plaza 1 was also expanded with larger floor areas. Other relocations included two spa ph+

outlets located in Tsim Sha Tsui and Shatin, both were moved to larger spaces.

- Apart from the expansion in Hong Kong, the Group had stretched our beauty services expansion outside Hong Kong which included one Glycel skinspa opened in NOVA Mall in this financial year.

#### **Product Sales Business**

- As at 30th September, 2022, the Group operates a total of 12 retail outlets located in Hong Kong, 5 outlets in Macau as well as 1 outlet in PRC comprising the self-owned brands like Glycel and Eurobeauté as well as those with distribution rights like Erno Laszlo, HABA and H2O+.
- The Group's total product sales had increased comparing to that of last year due to the full year sales contribution of HABA in Hong Kong and PRC, which offset the decrease in sales due to the challenging retail conditions under COVID.
- During the year under review, one Glycel, two HABA and one Eurobeauté retail counters were opened in Macau.

#### **Outlook**

- In October 2022, the Group opened a new Oasis Medical centre in Hong Kong's Soundwill Plaza in Causeway Bay by merging two smaller Oasis Medical centres that had been operating nearby which occupies the entire 27th floor of Soundwill Plaza. Covering around 7,000 square feet in total, the new Oasis Medical centre provides customers with a spacious and luxurious environment in the heart of one of Hong Kong's premier shopping districts. Besides, the fourth new Oasis Beauty salon in Beijing PRC was opened in October soon after the financial year end.
- The Group enjoys a reputation for quality with a sound financial position and a proven business model, having its range of stores and outlets that are easy to access, attractive and comfortable. The Group believes it is in a strong position to benefit from returning sales over the year ahead. Having successfully negotiating many storms in the past, the Group is confident that it has taken the steps needed to ensure steady business growth in the year ahead.

(Hong Kong, 16th December, 2022) --- **Water Oasis Group Limited** ("Water Oasis" / the "Company") (HKEX: 1161), a renowned beauty services and beauty product retail group, today announced the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 30th September, 2022.

In the year ended 30th September, 2022, despite the Group's beauty services business was severely affected by the lengthy mandatory government closures while the effects of the pandemic also dragged down retail sales, the inclusion of the full-year performance of the brands from Water Oasis's acquisition of the Millstrong Group in the last year resulted in an increase of 1.4% to HK\$841.9 million in overall revenue this year.

The loss of nearly one third of a year's revenue from beauty services meant that beauty products played a larger part in the product/service mix than previously, rising to 20.2% from 15.1% the previous year. This also affected the Group's gross profit margin (the "GP Margin") due to the fact that beauty services generally provide higher margins than beauty products. The GP Margin adjusted to 87.8% from 92.2% previously. The Group's profit for the year was also affected by the derecognition adjustment of financial assets amounting to HK\$33.4 million, as a result of the full settlement of a dispute arising from the Group's acquisition of the Millstrong Group in June 2021 made between the Company, the vendor and the guarantors.

As at 30th September, 2022 the Group held bank balances of approximately HK\$234.3 million in total. Its current ratio was 0.5:1 and its gearing ratio was 1.1%. The board of directors recommends

payment of a final dividend making the full-year dividend 7.5 HK cents (2021: 22.0 HK cents) per share.

**Mr. Tam Siu Kei, Alan, Executive Director and Chief Executive Officer of Water Oasis**, said, “The Group has been active throughout the COVID-affected year in planning for the post-COVID future and preparing for a return to normality. This is why much effort was expended during the year on new store openings, store expansions and renovations. The Group finished the year with 67 stores for its various Water Oasis portfolio beauty services and products, up from 61 last year. The Group was determined to prepare assiduously for the end of the pandemic period and ensure its stores are ready to grasp opportunities as they return.”

Total capital expenditure amounted to HK\$90.4 million, against last year’s figure of HK\$51.4 million. Of this figure, HK\$79.8 million was utilised for Water Oasis brands (against HK\$50.9 million the previous year), and the remainder was spent on the brands newly acquired from Millistrong Group. In addition, the Group continued to acquire state-of-the-art beauty treatment equipment for its expanding Oasis Medical centres, as well as the specialist equipment needed to set up its new Oasis Dental joint venture operation.

### **Business Review**

The Group’s sales mix as at 30th September, 2022 stood at 79.8% services to 20.2% product. The overall consolidated GP margin adjusted to 87.8%.

### **Beauty Services**

All the Group’s spas, beauty centres and medical beauty centres in Hong Kong were subject to a total of 104 days of mandatory closures in 2021-2022. Inevitably then, revenues for all the Group’s beauty services brands fell year-on-year except for Oasis Medical, whose year-on-year results were boosted by strong performances when they were able to open as well as the opening of two new Oasis Medical centres during the year.

The Group also launched Oasis Dental, a new joint venture business, in collaboration with an experienced dental group. The first outlet of this new venture opened within the new Royal Park Hotel outlet of Oasis Medical in late April 2022, soon after the government closure order ended. The convenient location of Oasis Dental is making it easy for existing Oasis customers to enjoy a ‘one-stop’ beauty and dental service. This is the Group’s first move into the dental business, and early response has been good.

At year-end, the Group was operating 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme centres), the same number as in the previous year, along with 1 Oasis Beauty Store in Macau and 3 self-owned centres in the PRC. A further Oasis Beauty centre was opened in Beijing shortly after year-end. The Group was also operating 3 Oasis Spa outlets, and 4 Oasis Hair Spas. For the Glycel brand, the Group was also operating 18 outlets in Hong Kong and a further 2 in Macau.

### **Product Sales**

The Group operated four Erno Laszlo outlets at year end, 3 in Hong Kong and 1 in Macau. In November 2021, a first Eurobeauté outlet was opened in Macau. For HABA, the Group closed 4 underperforming stores to end the year with 3 still in operation. Against this, it also opened 2 new HABA counters for the first time in Macau. The brand continues to sell steadily on the Mainland, where the Group has wholesale distribution rights.

The Group continued its efforts to promote our products and services online through its websites and on social media platforms. These efforts have been very successful, and it has seen its online sales increase strongly by around 33% over the year. It will continue to develop and expand its online sales platform as more and more shoppers embrace this kind of shopping experience.

### **Outlook**

Despite a very challenging environment for the Group's operations over the past year, it is confident that the end is in sight and that better times lie ahead. As noted above, spending on beauty services showed an immediate rebound when beauty service outlets were able to reopen in late April 2022, and the Group has noted a steady and encouraging performance as the year has gone on. There is no slackening in customer demand for high quality beauty and skincare services, and Water Oasis has been working hard over the past year to ensure it is ready to meet customer demand as it rises again.

The Group believes it is in a strong position to benefit from returning sales over the year ahead, with more and larger stores now available to take up customer demand. In October 2022, the Group opened a new Oasis Medical centre in Hong Kong's Soundwill Plaza in Causeway Bay. This latest in the expanding network of Oasis Medical Centres occupies the entire 27th floor of Soundwill Plaza, merging two smaller Oasis Medical centres that had been operating nearby (one in the World Trade Centre and the other on a lower floor of Soundwill Plaza). Elsewhere, a new Oasis Beauty outlet opened in Beijing in October after year-end, taking the number of Oasis Beauty outlets in the capital city to 4.

After many years of distributing H2O+ products in Hong Kong, the Group will cease its distributorship of this brand in November 2022 as a result of the brand owner's decision to retreat from global exposure. With a large stable of popular beauty and skincare brands available, this move has no significant effect on the Group's future performance.

**Mr. Tam** concluded, "Overall, Water Oasis has weathered the pandemic storm with care and confidence. Our steady results, cautious expansion and forward-looking planning are all preparing us well for the future. Our capital expenditure over the past year has been high, but we see this as an important investment in the future and we are confident about what that future holds. Our strong and varied portfolio of beauty products and services, good reputation, prudent management and clear vision for the future are all qualities of the Group that I believe will translate into a strong performance in the coming 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 while continuing to hold 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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