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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, 2022**

#### **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.

## 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, 2022 (the “Consolidated Financial Statements”) as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

|  |              | For the year ended |                 |
|--|--------------|--------------------|-----------------|
|  |              | 30th September,    |                 |
|  |              | 2022               | 2021            |
|  | <i>Notes</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> |
| Revenue  | 3            | <b>841,936</b>     | 829,935         |
| Purchases and changes in inventories of finished goods |              | <b>(103,031)</b>   | (64,344)        |
| Other income   |              | <b>28,666</b>      | 19,792          |
| Other gains or losses                                  |              | <b>(3,688)</b>     | (130)           |
| Staff costs  |              | <b>(326,322)</b>   | (305,258)       |
| Depreciation   |              | <b>(163,879)</b>   | (133,226)       |
| Finance costs  | 4            | <b>(6,688)</b>     | (6,539)         |
| Other expenses   | 5            | <b>(140,006)</b>   | (130,389)       |
| Derecognition on receivable                            |              | <b>(33,350)</b>    | –               |
| Profit before taxation                                 |              | <b>93,638</b>      | 209,841         |
| Taxation   | 6            | <b>(26,782)</b>    | (39,803)        |
| Profit for the year                                    | 7            | <b>66,856</b>      | 170,038         |
| Profit (loss) for the year attributable to:            |              |                    |                 |
| Owners of the Company                                  |              | <b>67,432</b>      | 170,340         |
| Non-controlling interests                              |              | <b>(576)</b>       | (302)           |
|  |              | <b>66,856</b>      | 170,038         |

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

|  |              | <b>For the year ended</b>  |                      |
|--|--------------|----------------------------|----------------------|
|  |              | <b>30th September,</b>     |                      |
|  |              | <b>2022</b>                | 2021                 |
|  | <i>Notes</i> | <b>HK\$'000</b>            | <b>HK\$'000</b>      |
| Profit for the year  |              | <b>66,856</b>              | 170,038              |
| <b>Other comprehensive income:</b>                                   |              |                            |                      |
| <i>Item that may be reclassified subsequently to profit or loss:</i> |              |                            |                      |
| Exchange differences arising on translation of foreign operations    |              | <u>(8,472)</u>             | <u>3,048</u>         |
| Total comprehensive income for the year                              |              | <u><b>58,384</b></u>       | <u>173,086</u>       |
| Total comprehensive income (expense) for the year attributable to:   |              |                            |                      |
| Owners of the Company  |              | <b>58,971</b>              | 173,413              |
| Non-controlling interests  |              | <u>(587)</u>               | <u>(327)</u>         |
|  |              | <u><b>58,384</b></u>       | <u>173,086</u>       |
| Earnings per share   |              |                            |                      |
| Basic  | 8            | <b>9.9 HK cents</b>        | 25.0 HK cents        |
| Diluted  | 8            | <u><b>9.9 HK cents</b></u> | <u>25.0 HK cents</u> |

## Consolidated Statement of Financial Position

|   |       | As at 30th September, |                  |
|---|-------|-----------------------|------------------|
|   |       | 2022                  | 2021             |
|   | Notes | HK\$'000              | HK\$'000         |
| <b>Non-current assets</b>                             |       |                       |                  |
| Intangible assets                                     |       | 75,424                | 79,148           |
| Goodwill  |       | 29,673                | 29,673           |
| Investment properties                                 |       | 226,068               | 227,915          |
| Property and equipment                                |       | 130,487               | 80,048           |
| Right-of-use assets                                   |       | 343,014               | 296,480          |
| Rental deposits                                       |       | 37,922                | 38,704           |
| Deferred tax assets                                   |       | 5,651                 | 6,873            |
|   |       | <u>848,239</u>        | <u>758,841</u>   |
| <b>Current assets</b>                                 |       |                       |                  |
| Inventories   |       | 72,293                | 65,245           |
| Trade receivables                                     | 10    | 18,016                | 27,611           |
| Contract costs  |       | 43,241                | 49,217           |
| Financial assets at fair value through profit or loss |       | 579                   | 738              |
| Prepayments   |       | 14,105                | 36,031           |
| Other deposits and receivables                        |       | 29,224                | 49,085           |
| Tax recoverable                                       |       | 1,179                 | 1,786            |
| Bank balances and cash                                |       | 234,284               | 369,662          |
|   |       | <u>412,921</u>        | <u>599,375</u>   |
| <b>Current liabilities</b>                            |       |                       |                  |
| Trade payables  | 11    | 2,103                 | 3,907            |
| Accruals and other payables                           |       | 82,118                | 100,010          |
| Provisions  |       | 32,208                | 29,389           |
| Contract liabilities                                  |       | 490,197               | 590,535          |
| Secured mortgage loan                                 |       | 3,187                 | 3,407            |
| Lease liabilities                                     |       | 101,480               | 103,869          |
| Tax payable   |       | 39,916                | 19,976           |
|   |       | <u>751,209</u>        | <u>851,093</u>   |
| <b>Net current liabilities</b>                        |       | <u>(338,288)</u>      | <u>(251,718)</u> |
| <b>Total assets less current liabilities</b>          |       | <u>509,951</u>        | <u>507,123</u>   |
| <b>Capital and reserves</b>                           |       |                       |                  |
| Share capital   |       | 68,055                | 68,055           |
| Reserves  |       | 233,052               | 284,366          |
| <b>Equity attributable to owners of the Company</b>   |       | <u>301,107</u>        | <u>352,421</u>   |
| <b>Non-controlling interests</b>                      |       | <u>871</u>            | <u>6,344</u>     |
| <b>Total equity</b>                                   |       | <u>301,978</u>        | <u>358,765</u>   |
| <b>Non-current liabilities</b>                        |       |                       |                  |
| Secured mortgage loan                                 |       | –                     | 3,187            |
| Lease liabilities                                     |       | 184,855               | 126,122          |
| Deferred tax liabilities                              |       | 23,118                | 19,049           |
|   |       | <u>207,973</u>        | <u>148,358</u>   |
|   |       | <u>509,951</u>        | <u>507,123</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, 2022, 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, 2021.

### **Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are mandatorily effective for the current year**

The Group has applied the following 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 9, HKAS 39,<br>HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2                    |
| Amendment to HKFRS 16  | COVID-19-Related Rent Concessions<br>beyond 30th June, 2021 |

The amended standards that are effective from 1st October, 2021 did not have any material impact on the Group’s accounting policies.

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 adopted the amendment and applied the practical expedient for the year ended 30th September, 2021 and 2022 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\$13,951,000 (2021: 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, 2022 due to this adoption.

### **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.

|   |  |
|---|--|
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework <sup>1</sup>   |
| Amendments to HKAS 16                               | Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>  |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>   |
| Amendments to HKFRSs                                | Annual Improvements to HKFRSs 2018 – 2020 <sup>1</sup>   |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>2</sup>   |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>2</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>                                    |
| HKFRS 17  | Insurance Contracts and related amendments <sup>2</sup>  |
| Amendment to HKFRS 17                               | Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>                               |
| Amendment to HKFRS 16                               | Lease liability in a Sale and Leaseback <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2023

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2024

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

### 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          |                |
|-----------------------------|-----------------|----------------|-----------------|----------------|----------------|----------------|
|                             | 2022            | 2021           | 2022            | 2021           | 2022           | 2021           |
|                             | HK\$'000        | HK\$'000       | HK\$'000        | HK\$'000       | HK\$'000       | HK\$'000       |
| Time of revenue recognition |                 |                |                 |                |                |                |
| At a point of time          | 170,147         | 125,211        | –               | –              | 170,147        | 125,211        |
| Over time                   | –               | –              | 671,789         | 704,724        | 671,789        | 704,724        |
|                             | <u>170,147</u>  | <u>125,211</u> | <u>671,789</u>  | <u>704,724</u> | <u>841,936</u> | <u>829,935</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     |                  |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                              | 2022<br>HK\$'000 | 2021<br>HK\$'000 | 2022<br>HK\$'000 | 2021<br>HK\$'000 | 2022<br>HK\$'000 | 2021<br>HK\$'000 | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
| Sales to external customers  | 170,147          | 125,211          | 671,789          | 704,724          | -                | -                | 841,936          | 829,935          |
| Inter-segment sales          | 34,617           | 20,160           | -                | -                | (34,617)         | (20,160)         | -                | -                |
| Total                        | 204,764          | 145,371          | 671,789          | 704,724          | (34,617)         | (20,160)         | 841,936          | 829,935          |
| Segment results              | 16,798           | 15,840           | 180,256          | 257,629          | -                | -                | 197,054          | 273,469          |
| Other income                 |                  |                  |                  |                  |                  |                  | 28,666           | 19,792           |
| Other gains or losses        |                  |                  |                  |                  |                  |                  | (3,688)          | (130)            |
| Finance costs                |                  |                  |                  |                  |                  |                  | (6,688)          | (6,539)          |
| Derecognition on receivable  |                  |                  |                  |                  |                  |                  | (33,350)         | -                |
| Central administrative costs |                  |                  |                  |                  |                  |                  | (88,356)         | (76,751)         |
| Profit before taxation       |                  |                  |                  |                  |                  |                  | 93,638           | 209,841          |

Segment results represent the profit earned by each segment without allocation of other income, other gains or losses, finance costs, derecognition on receivable 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:

|                     | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------|------------------|------------------|
| Hong Kong and Macau | 748,177          | 774,145          |
| The PRC             | 93,759           | 55,790           |
|                     | <u>841,936</u>   | <u>829,935</u>   |

#### 4. FINANCE COSTS

|  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|------------------|------------------|
| Interest expenses on secured mortgage loan | 108              | 180              |
| Interest expenses on lease liabilities     | 6,572            | 6,330            |
| Other interest expenses                    | 8                | 29               |
|  | <u>6,688</u>     | <u>6,539</u>     |

## 5. OTHER EXPENSES

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration   | 1,920                   | 1,859                   |
| Amortisation of intangible assets  | 3,540                   | 1,614                   |
| Bank charges   | 25,448                  | 28,806                  |
| Marketing expenses   | 20,259                  | 21,996                  |
| Expenses relating to leases of   |                         |                         |
| – Short-term lease expense   | 4,843                   | 4,892                   |
| – Low-value lease expense  | 630                     | 638                     |
| – Variable lease payments not included in the measurement of lease liabilities | 5,974                   | 3,765                   |
| Building management fees, government rent and rates                            | 29,885                  | 22,061                  |
| Cleaning and laundry   | 5,466                   | 5,402                   |
| Transportation, storage and delivery   | 7,666                   | 5,908                   |
| Printing, stationery and administration  | 8,727                   | 8,330                   |
| Utilities and telecommunications   | 4,595                   | 3,684                   |
| Others   | 21,053                  | 21,434                  |
|  | <u>140,006</u>          | <u>130,389</u>          |

## 6. TAXATION

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax                             |                         |                         |
| – Hong Kong Profits Tax                 | 14,614                  | 29,065                  |
| – The PRC Enterprise Income Tax (“EIT”) | 7,554                   | 6,717                   |
| – Over provision in prior years         | (1,009)                 | (395)                   |
|   | <u>21,159</u>           | <u>35,387</u>           |
| Deferred taxation                       | 5,623                   | 4,416                   |
|   | <u>26,782</u>           | <u>39,803</u>           |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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% (2021: 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

|   | 2022<br><i>HK\$’000</i> | 2021<br><i>HK\$’000</i> |
|---|-------------------------|-------------------------|
| Profit for the year is stated at after charging:  |                         |                         |
| Depreciation:   |                         |                         |
| – Property and equipment  | 38,562                  | 28,171                  |
| – Right-of-use assets   | 125,317                 | 105,055                 |
| and after crediting:  |                         |                         |
| Interest income on bank deposits  | 1,465                   | 1,822                   |
| Government subsidies (Note)   | 28,419                  | 18,444                  |
| Rental income from investment properties net of negligible<br>direct operating expenses | 3,464                   | 3,437                   |
| Rent concessions related to COVID-19  | 13,951                  | 6,688                   |
|   | <u>139,711</u>          | <u>163,517</u>          |

*Note:* During the year ended 30th September, 2022, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK\$20,644,000 (2021: HK\$13,294,000) under the Employment Support Scheme which were included in staff costs; other subsidies of HK\$7,775,000 (2021: HK\$5,150,000) under the Anti-epidemic Fund of the Hong Kong Government and subsidies for businesses of the Macau Government which were 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:

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Earnings for the purposes of basic and diluted earnings per share                                  | <u>67,432</u>           | <u>170,340</u>          |
|  | <b>Number of shares</b> |                         |
|  | 2022                    | 2021                    |
| 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

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend declared and paid of Nil<br>(2021: 5.5 HK cents) per share                                      | –                       | 37,430                  |
| Final dividend proposed after the end of the reporting period of<br>7.5 HK cents (2021: 16.5 HK cents) per share | <u>51,041</u>           | <u>112,291</u>          |
|  | <u>51,041</u>           | <u>149,721</u>          |

The 2022 final dividend of 7.5 HK cents (2021: 16.5 HK cents) per share, amounting to approximately HK\$51,041,000 (2021: HK\$112,291,000), 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, 2022 were approximately HK\$112,291,000 (2021: HK\$37,430,000).

## 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:

|                 | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| 0 to 30 days    | 10,283                  | 17,341                  |
| 31 to 60 days   | 1,752                   | 3,171                   |
| 61 to 90 days   | 1,674                   | 2,599                   |
| 91 to 120 days  | 1,396                   | 2,336                   |
| 121 to 150 days | 2,180                   | 1,440                   |
| 151 to 180 days | 660                     | 724                     |
| Over 180 days   | 71                      | –                       |
|                 | <u>18,016</u>           | <u>27,611</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:

|               | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days  | 1,799                   | 3,035                   |
| 31 to 60 days | 299                     | 851                     |
| Over 60 days  | 5                       | 21                      |
|               | <u>2,103</u>            | <u>3,907</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 & ANALYSIS

In the year ended 30th September, 2022, lengthy mandatory government closures severely affected the Group's beauty services business while the effects of the pandemic also dragged down retail sales. Despite these challenges, the addition of the full-year performance of the brands acquired from Water Oasis's acquisition of the Millistrong Group on 28th June, 2021 led to an increase in overall revenue year-on-year.

In total, the Group's beauty services outlets were required to close completely for 104 days throughout 2021-2022, around one half more than in 2020-2021 when mandatory closures amounted to 70 days in total. During this lengthy closure period, all the Group's revenue was derived solely from product sales.

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 Millistrong Group in June 2021 made between the Company, the vendor and the guarantors.

In terms of costs as a percentage of revenue, advertising continued to be kept under tight control given the unpromising environment, falling to just 1.8% from 2.2%. Depreciation costs of property and equipment rose to 4.6% from 3.4% as a result of higher capital expenditure during the year, arising from extensive spending on relocations, new store openings, and refurbishments. Rent and rates and staff costs also rose as the Group opened new and larger stores and took on new staff. These expenses also increased as a result of the incorporation of the full-year results of the brands acquired from the Millistrong Group.

The Group was not idle during the shutdown period. Indeed, it 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.

These moves explain the significant increase in its capital expenditure year on 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. Apart from spending on the new stores and store expansions described above, 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.

At year-end, the Group had a total staff count of 1,112, up from 968 last year. Although staff associated with businesses acquired from the Millistrong Group fell due to store closures during the year (from 152 to 144 staff), new store openings of Water Oasis brands and expansion to existing outlets resulted in a growth in overall staff numbers from 816 to 968 this year.

As at 30th September, 2022 the Group held bank balances and cash 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 has recommended the payment of a final dividend of 7.5 HK cents per share, bringing the full-year dividend to 7.5 HK cents (2021: 22.0 HK cents) per share.

## **BUSINESS REVIEW**

### **BEAUTY SERVICES**

#### **OASIS Portfolio**

The Group's Oasis portfolio comprised several 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, and various smaller supplementary services, namely Oasis Homme, Oasis Hair Spa, Oasis Dental, Oasis Mom and Oasis Florist.

As noted above, 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.

In April 2022, a new flagship Oasis store was opened on the second floor of the Royal Park Hotel in Shatin. This venue includes an Oasis Medical centre, a Glycel Skinspa and the new Oasis Dental business, and occupies more than 10,000 square feet. Presenting a grand and luxurious appearance to customers, the new store is an exceptional advertisement for the Group's beauty services. Elsewhere, Oasis Beauty rented additional floor areas in Causeway Bay Plaza Phase 1, expanding the space available for treatments in that location.

Some store relocations also boosted the Group's Oasis profile. For instance, a Glycel outlet in the Hong Kong Pacific Centre in Tsim Sha Tsui was relocated to the 10th floor of The Gateway nearby, where two Oasis brands – Oasis Medical and Oasis Spa – were already operating. The result is that now the entire 10th floor is occupied by Group-owned businesses, making available a comprehensive range of beauty services in a one-stop environment.

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.

### **Oasis Medical**

Despite lengthy mandatory closures during the year, the Group's Oasis Medical, which provides a range of advanced specialist medical beauty treatments, recorded a revenue increase year-on-year. This was the result of strong and growing patronage in the periods when the centres were open, as well as the contributions of 2 new Oasis Medical centres opened during the year. One of these was opened back in November 2021, in The LOHAS, an upmarket shopping centre near Tseung Kwan O. The second was opened in July 2022 in the PopCorn Mall, located above Tseung Kwan O station. The PopCorn location boasts an extensive shopfront featuring a prominent and eye-catching LED display.

These two openings have extended the coverage of Oasis Medical to the up-and-coming eastern areas of Hong Kong. They brought the number of Oasis Medical centres operating in Hong Kong at year-end to 11, up from 9 last year.

### **Oasis Dental**

Oasis Dental is a new joint venture business launched by the Group 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.

### **Oasis Hair Spa**

The Group continued to operate its Oasis Hair Spa service in four locations in Hong Kong, inside 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.



## **Glycel**

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales.

In recent years, the Group has been focusing on enhancing the appeal of its Glycel outlets through expansions and relocations. It continued with this strategy during the year, for example moving its Shatin Glycel premises to a new location adjacent to the new flagship Oasis Medical centre on the second floor of the Royal Park Hotel in Shatin. The cluster of high-end beauty services brands here represents excellent exposure and the opportunity for many cross-brand synergies.

Other Glycel relocations during the year, all designed to enhance the size and attractiveness of these locations for customers, included a move of the Glycel outlet situated in the Pacific Centre to a larger venue in the Gateway, Harbour City. The entire floor has been leased by the Group, bringing together Glycel, Oasis Spa and Oasis Medical to create a new and high profile flagship store in this very upscale shopping environment.

As Macau's business environment has continued to stabilise in the face of the pandemic, the Group also opened two new Glycel outlets there during the year, both in the upscale NOVA Mall. One of these is a counter in the Yaohan department store in the mall, and the other a Skinspa with 5 service rooms attached.

As at 30th September, 2022 the Group was operating 18 Glycel outlets in Hong Kong and a further 2 in Macau.

## **spa ph+, AesMedic Clinic and 32°C**

The spa ph+ brand was acquired as part of the Millistrong acquisition, and currently operates in 5 outlets across Hong Kong. During the year, 2 spa ph+ outlets were relocated to improved locations. One in Carnarvon Plaza was moved to the Pacific Centre in May, while another on the 4th floor of Shatin's New Town Plaza was moved to a more spacious location on the 10th floor in July 2022, replacing the Glycel outlet in that location that had been moved to the Royal Park Hotel. AesMedic Clinic is a medical beauty outlet that was also formerly part of the Millistrong Group, operating in 1 location in Hong Kong. 32°C continued to be sold from 1 outlet in Hong Kong.

## **PRODUCT SALES**

### **HABA**

HABA is a skincare distribution brand acquired by the Group as part of the Millstrong acquisition. The Group began the year with 7 HABA stores in Hong Kong, but during 2021-2022 it 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.

### **Glycel**

The brand experienced single-digit sales growth in the year due to the challenging retail conditions under COVID.

### **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. Because both sets of products are primarily available from beauty services outlets, sales were naturally affected by the lengthy closures of these centres during the year. In November 2021, a first Eurobeauté outlet was opened in Macau.

### **Erno Laszlo**

The Group operated four Erno Laszlo outlets at year end, 3 in Hong Kong and 1 in Macau. Pandemic strictures and border closures squeezed its performance in the year.

## **PROSPECTS**

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.

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 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). 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. 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 ceased 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.

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. Most of its customers are local ones, but if borders are opened with the Mainland in the coming year, this is expected to further reinvigorate the Group's sales.

At the time of writing, Hong Kong faces a relatively gloomy economic outlook, with the economy continuing to contract. Nonetheless, the Group's local customer base has remained steady, supported by the Group's extensive and expanding range of products and services and the close synergies between many of its brands and offerings. Water Oasis enjoys a sound financial position and a proven business model, having successfully negotiating many storms in the past. Its products and services are considered as essentials by many, and its range of stores and outlets are easy to access, attractive and comfortable, and enjoy a reputation for quality. Given all these advantages, the Group is confident that it has taken the steps needed to ensure steady business growth in the year ahead.

## **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, 2022 amounted to approximately HK\$234.3 million (2021: HK\$369.7 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2022, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$302.0 million (2021: HK\$358.8 million), was approximately 1.1% (2021: 1.8%).

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.

## **PLEDGE OF ASSET**

As at 30th September, 2022, the carrying amount of Group's asset amounted to HK\$226.1 million (2021: HK\$227.9 million) was pledged to secure a mortgage loan granted to the Group.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liability as at 30th September, 2022.

## **CAPITAL COMMITMENTS**

The Group had capital commitments of HK\$2.9 million as at 30th September, 2022 (2021: HK\$3.7 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th September, 2022, the Group employed 1,112 staff (2021: 968 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 7.5 HK cents per share for the year ended 30th September, 2022. The proposed final dividend, if approved at the forthcoming annual general meeting on Friday, 10th February, 2023 (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, 17th February, 2023.

## **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, 7th February, 2023 to Friday, 10th February, 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 6th February, 2023.
- (ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 16th February, 2023 and Friday, 17th February, 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15th February, 2023. The relevant dividend warrants will be dispatched to shareholders on Monday, 6th March, 2023.

## **AUDIT COMMITTEE**

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy, Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire 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, 2022 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, 2022 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, 2022. 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, 2022, 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, 2022.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance 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, 2022.

## **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, 2022.

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](http://www.hkexnews.hk) and the designated website of the Company at [www.wateroasis.com.hk](http://www.wateroasis.com.hk) respectively. The annual report of the Company for the year ended 30th September, 2022 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, 16th December, 2022

*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., JP., Mr. Wong Chun Nam, Duffy, B.B.S., JP., Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., JP.*