Water OASIS Group

奧 思 集 團

WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2020 AND RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

- The Group's revenue for the financial year decreased by 30.4% to approximately HK$531.4 million when compared with that of last year. The decrease was a reflection of the challenges encountered as a result of the social unrest events happened on the first half as well as the outbreak of COVID-19 happened on the second half of the financial year.

- Group's sales mix for the financial year changed to approximately 77.8% in beauty services and 22.2% in product sales, comparing to 81.8% and 18.2% with that of last year.

- The Group continued to control its costs in response to the pandemic impact on COVID-19 and social unrest events happened during the financial year. Cost control measures included negotiation of rental reduction with landlord and store repositioning through closing of underperforming stores; slashing of expensive advertising costs; redeployment of manpower resources and frozen new headcount.

- Profit for the year amounted to HK$27.5 million, representing a decrease of 74.4% over the last year.

- The Board does not recommend the payment of final dividend.

OPERATION HIGHLIGHTS

Beauty Services Business

- For the financial year, all the Group's brands on services business in Hong Kong recorded a decrease in revenue when compared with that of last year as a result of COVID-19 starting from February 2020 which led to the government orders of shutting down beauty centres in Hong Kong at different times during the financial year. However, Oasis Beauty centres in PRC and Oasis Beauty Store in Macau exceptionally showed an increase in sales in this financial year even with the impact of COVID-19.

- Glycel continued to expand steadily to seek a wider regional presence in Hong Kong despite the drop in sales encountered in the financial year. New presence spots included Park Central in Tseung Kwan O and KOLOUR in Tsuen Wan. New treatments and products were launched in associated with new store openings.

- As at 30th September, 2020, the Group operates 13 Glycel Skinspas; 14 Oasis Beauty centres; 2 Oasis Homme centres; 4 Oasis Hair Spas; 3 Oasis Spa centres and 8 Oasis Medical Centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC and 1 Oasis Beauty Store in Macau.

Product Sales Business

- Despite product sales for the Group recorded a decrease on all brands except Glycel due to social unrest events and social distancing restrictions of COVID-19, the Group had reacted to switch quickly to internet-based online sales platform which help offset part of the drop in traditional shopping caused by the pandemic. Sales performance on online platform rose by 76% year on year.

- As at 30th September, 2020, the Group operated a total of 13 retail outlets for all brands located in Hong Kong and Macau.

Outlook

- The Group will continue new store expansion in the year ahead with a view that the ongoing travel bans and travel restrictions have meant customers will spend their funds originally reserved for travel on patronage of spa and beauty services locally.

- The Group will do its utmost to create a safe, hygienic environment to our customers at our retail outlets and beauty centres to ensure that they can be relaxed and confident in enjoying our services provided to them.

- With the launch of new vaccines for COVID-19, the Group is well prepared to face the conditions of the coming year with confidence and will continue to adapt its operations to the "new normal" of the post-COVID world.

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, 2020 (the "Consolidated Financial Statements") as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the year ended 30th September,	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**531,374**	763,981
Purchases and changes in inventories of finished goods		**(50,355)**	(56,662)
Other income		**28,398**	9,123
Other gains or losses		**(7,720)**	(1,575)
Staff costs		**(234,487)**	(325,055)
Depreciation		**(105,749)**	(27,932)
Finance costs	4	**(8,124)**	(339)
Other expenses	5	**(116,751)**	(230,934)
Profit before taxation		**36,586**	130,607
Taxation	6	**(9,126)**	(23,248)
Profit for the year	7	**27,460**	107,359
Profit (loss) for the year attributable to:			
Owners of the Company		**27,736**	107,690
Non-controlling interests		**(276)**	(331)
		27,460	107,359

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

		For the year ended 30th September,	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Profit for the year		**27,460**	107,359
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,342**	(1,192)
Total comprehensive income for the year		**28,802**	106,167
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**29,092**	106,482
Non-controlling interests		**(290)**	(315)
		28,802	106,167
Earnings per share			
Basic	8	**4.1 HK cents**	15.8 HK cents
Diluted	8	**4.1 HK cents**	15.8 HK cents

Consolidated Statement of Financial Position

		As at 30th September,	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Intangible assets		**59,075**	59,041
Goodwill		**3,012**	3,012
Investment properties		**227,188**	233,966
Property and equipment		**51,873**	112,271
Right-of-use assets		**242,374**	–
Rental deposits		**27,389**	29,248
Deferred tax assets		**7,792**	9,603
		618,703	447,141
Current assets			
Inventories		**48,494**	39,182
Trade receivables	10	**19,766**	29,818
Contract costs		**57,815**	49,989
Prepayments		**7,624**	10,930
Other deposits and receivables		**21,074**	10,834
Tax recoverable		**2,597**	74
Bank balances and cash		**418,516**	385,580
		575,886	526,407
Current liabilities			
Trade payables	11	**4,778**	7,322
Accruals and other payables		**91,566**	83,116
Contract liabilities		**649,479**	544,496
Secured mortgage loan		**3,334**	3,525
Lease liabilities		**99,285**	–
Tax payable		**4,981**	26,272
		853,423	664,731
Net current liabilities		**(277,537)**	(138,324)
Total assets less current liabilities		**341,166**	308,817
Capital and reserves			
Share capital		**68,055**	68,055
Reserves		**148,383**	210,017
Equity attributable to owners of the Company		**216,438**	278,072
Non-controlling interests		**6,671**	6,961
Total equity		**223,109**	285,033
Non-current liabilities			
Secured mortgage loan		**6,594**	9,934
Lease liabilities		**95,826**	–
Deferred tax liabilities		**15,637**	13,850
		118,057	23,784
		341,166	308,817

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, 2020, 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, 2019.

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 for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, 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.

HKFRS 16 "Leases"

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group adopted HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect from initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 30th September, 2019 to that of 1st October, 2019 as follows:

	Increase/ (decrease) *HK$'000*
Consolidated Statement of Financial Position as at 1st October, 2019	
Right-of-use assets	216,489
Property and equipment	(60,917)
Rental deposits	(1,734)
Deferred tax assets	683
Deferred tax liabilities	(80)
Accruals and other payables	(1,582)
Lease liabilities (current)	56,567
Lease liabilities (non-current)	101,870
Retained profits	(2,254)

Leasehold land and buildings amounted to approximately HK$58,959,000 previously classified as property and equipment as at 30th September, 2019 is reclassified as right-of-use assets as of 1st October, 2019.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30th September, 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1st October, 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 30th September, 2019	252,504
Less: short term leases for which lease terms end within 30th September, 2020	(20,488)
Less: operating lease commitments of new assets which terms have not commenced as at 1st October, 2019	(64,013)
Less: future interest expenses	(9,566)
Total lease liabilities as of 1st October, 2019	158,437

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1st October, 2019 is 4.355%.

(ii) *The new definition of lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for low value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset
The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value.

Refundable rental deposits
Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liability
The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or a rate, a change in the lease term, a change in the assessment of an option to purchase the underlying asset or to reflect revised in-substance fixed lease payments.

Lease modification
The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

In addition, the Group has applied the amendments to HKFRS 16 in advance of its effective date. The amendments provide a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

During the year ended 30th September, 2020, certain monthly lease payments for the leases of the Group's shop units have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30th September, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$10,706,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the consolidated income statement for the year ended 30th September, 2020.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements except for the aforementioned impact.

(v) Transition

The Group has recognised the lease liabilities at the date of 1st October, 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1st October, 2019.

The Group has elected to recognise all the right-of-use assets at 1st October, 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1st October, 2019) and accounted for those leases as short-term leases; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4; and (iii) adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

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 amendments to HKFRS 16 as described below.

Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[2]
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 9, Financial Instruments[3]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 16, Leases[3]
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

1 Effective for annual periods beginning on or after 1st January, 2020

2 Effective for annual periods beginning on or after 1st June, 2020

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 The amendments were originally intended to be effective for periods beginning on or after 1st January, 2021. The effective date has now been extended to 1st January, 2023

6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the annual reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1st October, 2019.

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**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Time of revenue recognition						
At a point of time	**117,950**	139,132	**–**	–	**117,950**	139,132
Over time	**–**	–	**413,424**	624,849	**413,424**	624,849
	117,950	139,132	**413,424**	624,849	**531,374**	763,981

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

	Product segment		Service segment		Elimination		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**117,950**	139,132	**413,424**	624,849	**–**	–	**531,374**	763,981
Inter-segment sales	**20,486**	21,108	**–**	–	**(20,486)**	(21,108)	**–**	–
Total	**138,436**	160,240	**413,424**	624,849	**(20,486)**	(21,108)	**531,374**	763,981
Segment results	**18,353**	32,358	**79,481**	174,720	**–**	–	**97,834**	207,078
Other income							**28,398**	9,123
Other gains or losses							**(7,720)**	(1,575)
Finance costs							**(8,124)**	(339)
Central administrative costs							**(73,802)**	(83,680)
Profit before taxation							**36,586**	130,607

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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong and Macau	**498,329**	733,471
The PRC	**33,045**	30,510
	531,374	763,981

4. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**254**	339
Interest expenses on lease liabilities	**7,870**	–
	8,124	339

5. OTHER EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**1,360**	1,506
Amortisation of intangible assets	**101**	115
Bank charges	**26,976**	34,041
Marketing expenses	**11,111**	24,248
Expenses relating to leases of		
– Short-term lease expense	**19,983**	–
– Low-value lease expense	**469**	–
– Variable lease payments not included in the measurement of lease liabilities	**2,299**	–
Operating lease rentals in respect of land and buildings		
– Minimum lease payments	**–**	101,925
– Contingent rents	**–**	3,428
Building management fees, government rent and rates	**19,619**	21,193
Cleaning and laundry	**4,734**	6,239
Transportation, storage and delivery	**5,659**	5,658
Printing, stationery and administration	**7,914**	8,649
Utilities and telecommunications	**2,986**	3,871
Others	**13,540**	20,061
	116,751	230,934

6. TAXATION

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**(1,443)**	19,998
The PRC Enterprise Income Tax ("EIT")	**6,475**	4,945
Over provision in prior years	**(365)**	(248)
	4,667	24,695
Deferred taxation	**4,459**	(1,447)
	9,126	23,248

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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% (2019: 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

	2020	2019
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Depreciation:		
– Property and equipment	**22,231**	27,932
– Right-of-use assets	**83,518**	–
and after crediting:		
Interest income on bank deposits	**3,496**	5,480
Government subsidies (Note)	**31,898**	–
Rental income from investment properties net of negligible direct operating expenses	**3,448**	3,134
Rent concessions related to COVID-19	**12,228**	–
Other rent concessions	**944**	–

Note: During the year ended 30th September, 2020, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK$26,558,000 under the Employment Support Scheme which was included in staff costs; other subsidies of 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 the year ended 30th September, 2020.

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:

	2020	2019
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**27,736**	107,690

	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,552,764**	680,333,860
Effect of dilutive potential ordinary shares – share options of the Company	**–**	429,241
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,552,764**	680,763,101

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared and paid of 6.0 HK cents (2019: 8.0 HK cents) per share	**40,833**	54,444
Final dividend proposed after the end of the reporting period of Nil (2019: 7.0 HK cents) per share	**–**	47,639
	40,833	102,083

The Board does not recommend the payment of final dividend for the year (2019: 7.0 HK cents per share).

The aggregate amount of the dividends paid during the year ended 30th September, 2020 were approximately HK$88,472,000 (2019: HK$91,874,000).

10. TRADE RECEIVABLES

The Group generally allows its trade debtors' credit terms of 30 days to 150 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:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**15,492**	22,254
31 to 60 days	**473**	3,872
61 to 90 days	**498**	1,019
91 to 120 days	**1,899**	790
121 to 150 days	**1,388**	1,868
Over 150 days	**16**	15
	19,766	29,818

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:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**3,746**	3,974
31 to 60 days	**919**	3,342
Over 60 days	**113**	6
	4,778	7,322

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

On 4th December, 2020, Water Oasis Company Limited, an indirect wholly-owned subsidiary of the Company, applied for 10,000,000 shares of initial public offering of Blue Moon Group Holdings Limited (the "IPO Shares") (stock code : 6993) with an amount of approximately HK$132.9 million (including the principal amount of shares and the related brokerage, the Stock Exchange trading fee and the SFC transaction levy). The application was to be financed by the internal resources of the Group and the margin financing to be provided by the licensed bank. Having considered the business prospects, financial performance and potential growth of Blue Moon Group Holdings Limited as disclosed in the prospectus and with a view to better utilizing the cash of the Group, the Board considered that the investment would enable the Group to augment its return on assets. As one or more of the applicable percentage ratios for the application exceeded 5% but was less than 25%, the application constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The announcement was issued on 4th December, 2020. On 15th December, 2020, Water Oasis Company Limited was informed that 93,500 IPO Shares were allocated successfully.

Save as disclosed above, there is no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The year ended 30th September, 2020 in Hong Kong was an unprecedented extremely challenging year. The social unrest events happened on the first half as well as the COVID-19 pandemic having sweeping effects on economies, employment and trade across the globe on the second half of the financial year, had impacted significantly on our Group's results. While Hong Kong was relatively more fortunate than many other places, the government's measures to halt the spread did have a direct impact on the Group's operations. Specifically, on two occasions during the financial year the Group was required to shut down its beauty centres for extended periods, with an inevitable loss of revenue. Overall, the extraordinary events of the year saw the Group's consolidated revenue fall by 30.4% compared with revenue for the year ended 30th September, 2019.

The temporary closures of the Group's beauty centres at different times during the financial year had impacted on the beauty service revenue which led to an adjustment in the product versus service business mix for the year, and a corresponding change in the gross profit margin. Reduced beauty services revenue had resulted in a higher sales mix on beauty and skincare products segment, representing a sales mix moving from an 18.2% to 81.8% product/services split for 2019 to a 22.2% to 77.8% split for 2020. At the same time, the Group introduced a number of attractive promotional offers trying to maintain its momentum in the height of the pandemic. Since beauty services typically have a higher margin than product sales, the gross profit margin also adjusted downwards with a higher mix of product, from 92.6% to 90.5%. Profit for the year was HK$27.5 million, against HK$107.4 million for 2019.

In response to the pandemic, the Group took immediate steps to reduce costs appropriately. In particular, it managed to slash advertising costs by 59.2% compared to the previous year, reducing these as a percentage of revenue by almost half, from 2.9% to just 1.7%. Staff costs were also reduced by 27.9%, or 44.1% as a percentage of revenue. These lower staff costs mainly reflected a reduction in the number of staff and operating days of the Group during the pandemic as well as lower commissions arising from reduced sales.

Elsewhere, depreciation costs on property and equipment were down by 20.4%, reflecting lower CAPEX as a result of brakes being put on the purchase of new equipment and on store renovations. Rental costs as a percentage of revenue by 22.5%, primarily due to the adoption of accounting standard HKFRS16 in this financial year which changed the way the Group is required to record rental costs in its accounts.

As social distancing restrictions were in place throughout much of the year, shoppers increasingly turned to online platforms to purchase beauty products. With various well-established and user-friendly websites available, the Group benefitted from this trend. Internet-based online sales rose by 76% year on year, helping offset only part of the drop in traditional shopping footfall caused by the pandemic. However, this improvement could not make up the shortfall in sales on beauty service segment.

During the financial year, the Group had applied various government subsidy schemes due to COVID-19 which help offsetting partially the impact of COVID-19 on our beauty service businesses. These include Retail Sector Subsidy Scheme; the Subsidy Scheme for Beauty Parlours, Massage Establishments and Party Rooms as well as the Employment Support Scheme.

The Group made a number of adjustments to its store positioning throughout the year ensure it maintained an optimal presence in high-performing locations. A total of seven underperforming stores were closed down or reconfigured in the year, but this was offset by the opening of seven new stores in high-traffic and prestigious locations. They included a new Oasis Beauty flagship store in the upmarket Langham Place shopping mall in Mongkok, a new Glycel outlet at KOLOUR in Tsuen Wan, and another Glycel outlet in Park Central in Tseung Kwan O were opened during this financial year.

The Group's bank balances and cash reserves as at 30th September, 2020 amounted to approximately HK$418.5 million. Its current ratio was 0.7:1 and its debt-equity ratio was 4.4%. The board of directors do not recommend the payment of a final dividend, bringing the full-year dividend to only 6.0 HK cents per share (2019: 15.0 HK cents).

BUSINESS REVIEW

BEAUTY SERVICES

OASIS Portfolio

The Group's Oasis portfolio incorporates several synergistic 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 the recently launched Oasis Hair Spa, Oasis Homme and Oasis Florist round out the portfolio.

All the Group's Oasis beauty services businesses in Hong Kong and PRC experienced a double-digit percentage year-on-year downturn in revenue in 2020, largely as a result of the government's anti-pandemic measures which led to extended periods of closure for beauty services outlets and resulted in reduced customer visiting our beauty centres for treatments. Exceptions were seen on the Group's self-owned Oasis Beauty centres in PRC (three in Beijing) and the Oasis Beauty Store in Macau. Both experienced a slight increase in sales in this financial year even with the impact of COVID-19, possibly due to the effective control of COVID-19 spreading within the community in PRC and Macau.

Oasis treatments introduced during the year included new treatments designed to cleanse and firm the delicate eye area. The Group's latest Oasis brand, Oasis Mom, has begun delivering different types of slimming, reshaping and abdominal binding treatments for new mothers looking to regain their pre-pregnancy shape. The brand also offers post-pregnancy bust firming and shaping massages, and other treatments to address common issues that affect women after giving birth.

At year-end, the Group was operating 16 Oasis Beauty centres in Hong Kong (comprising 14 Oasis Beauty and 2 Oasis Homme centres), one down from the same time the previous year, along with one Oasis Beauty Store in Macau and three self-owned centres in the PRC.

Oasis Medical Centre

After recording modest revenue growth in the first half of the year, the Group's Oasis Medical Centres felt the effects of the periods of mandatory closures in the second half to finish with an overall double-digit percentage drop in revenue year on year.

Though its equipment purchases slowed in response to the pandemic, the Group continued to introduce new state-of-the-art equipment to expand the medical treatments offered. Ultra 360 equipment and advanced Plasonic whitening equipment, introduced in 2019, were followed up in 2020 with the arrival of new Salus Talent therapeutic equipment delivering deep-penetrating electro-magnetic stimulation.

Oasis Hair Spa

The new Oasis Hair Spa, launched in 2019, got off to a solid start despite periods of mandatory closure. The Group's confidence in this new business can be seen in its expansion of the number of Oasis Hair Spas since September 2019, when just one was operating. By year end, there were four Oasis Hair Spas in operation in Hong Kong, all situated within existing Oasis Beauty centres. To promote the new business, the Group focused on social media platforms and word-of-mouth promotion. Major KOLs were invited to visit the Hair Spa and report on their experience, which generated much interest among their followers, and the Group also utilised other online platforms to get the word out about this significant new option for hair and scalp care.

Glycel

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales. Overall results were down by double-digit percentage in sales for the year due to the compulsory hiatus in beauty service treatments, which mostly happened in the second half of this financial year, but the brand's product range continued to be popular and attract strong online and in-store sales, benefitting from the positive image of the Glycel celebrity figurehead Christine Kuo.

The Glycel brand has been steadily expanding in recent years, and the Group continued to seek for a wider regional presence in the year. In the KOLOUR mall in Tsuen Wan, the Group rearranged its brand offerings by reducing the floor space devoted to Oasis Beauty from two floors to one and setting up the other floor as a new Glycel outlet. This move has extended the popular Glycel services and products to a major shopping mall in the west of New Territories.

Despite the challenges of the year, new Glycel products and beauty treatments were regularly rolled out. The first half of the year saw the launch of Essence-in-Oil Rejuvenating Face Treatment and Rollix All-in-one Skin-tightening Extra Treatment, while this September, Glycel addressed a common area of concern in women's beauty, the eye area, with the introduction of two new eye treatments, GENIeye Lifting & Firming Upper Eye Extra Treatment and GENIeye Revitalizing & Circulating Under Eye Extra Treatment. Glycel beauty products launched in the year included a limited edition Swiss Essentials Essence Lotion in January, and an Aqua-Moist Face Cleanser at the end of June. A highlight of the year was the launch in June of the new G-PowerLift+ device, a skin rejuvenation beauty device that combines RF (Radio Frequency), Galvanic Ion and LED (Light Emitting Diode) technologies.

As at 30 September, 2020, the Group was operating 18 Glycel outlets in Hong Kong, one up on the number a year earlier.

PRODUCT SALES

Erno Laszlo

Adjustments were made to the Group's Erno Laszlo outlets during the year. While the number of outlets were five at year-end, two of these were newly opened during the year in new locations. Product sales dipped in a difficult year under this negative macro environment, but were boosted by some attractive new products, such as a new Firming Cream launched in August.

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, so the closures of the year inevitably had a direct impact on sales of this brand. The launch of a new Eurobeauté Time-Reverse Skin Renewal Mask was a welcome highlight. Similarly, DermaSynergy is a self-owned brand that offers various skincare and related beauty products for consumers that is mostly sold at Oasis Medical Centres, and sales were also negatively affected by closures.

H2O+

This longstanding US skincare brand is now represented by two outlets in Hong Kong, down from three a year earlier. Its customer base welcomed the new H2O+ Detox Collection in September. Like all the other Group brands, H2O+ experienced a significant drop in revenue in this financial year.

Prospects

Since the end of the financial year, despite the fact that the fourth waves of COVID-19 had again led to the closure of beauty centres due to government orders during Christmas and New Year (a traditional peak season on beauty services business), the beauty centres had restored its normal operations after the Chinese New Year. The Group has experienced steady patronage and solid demand for its services, on a par with its performance the previous year. This bodes well for the future, especially once the pandemic is fully stabilised. In the meantime, ongoing travel bans and other travel restrictions have meant that many customers have funds that were previously reserved for travel that they are now looking to spend closer to home. This is directly benefitting the Group, especially in terms of patronage of its spa and beauty services offerings.

Despite the longer term impact of COVID-19 on the economy and business performance still remains uncertain, the Group is confident that with the pandemic situation in Hong Kong is being under control due to launch of the new vaccine for COVID-19, the business will gradually get back to the 'new normal' of the post-COVID world. Since the bulk of the Group's customers are local, the ongoing travel restrictions should not have any significant impact on the Group's business going forward. In the meantime, the Group will do its utmost to create a safe, hygienic environment to our customers at our retail outlets and beauty centres to ensure that they can be relaxed and confident in enjoying our services provided to them.

With this understanding of the situation, the Group has been focusing on remaining agile, ready to move quickly as circumstances change in order to take advantage of early market shifts. Throughout the year the Group has continued to identify locations for new brand outlets even in the height of the pandemic, and it has further plans to open new outlets and hire new staff in the year ahead. For example, a new Glycel outlet has been opened in the LOHAS in November 2020, and other locations are currently under negotiation. This readiness to move reflects the Group's confidence in its customers and in the quality of its own offerings.

At the same time, the Group will continue to adapt its operations to the 'new normal' of the post-COVID-19 world. Cost controls will be an ongoing focus, especially in terms of negotiating sharp deals for store leases, ensuring advertising is as targeted and cost-effective as possible, and increasing take-up of online platforms and systems for sales and promotion.

In line with its long tradition of innovation and careful diversification, the Group will look to roll out various new products and services in the year ahead, introduce new advanced beauty and medical beauty equipment, and expand its client base through new initiatives. An example is the recent roll-out of the new Oasis Mom treatment regime, which is expanding the reach of Oasis to new mothers and increasing the size of the Oasis database.

In short, with its solid customer base, strong reputation for quality and care, high quality products and services, and flexible and proactive management, the Group believes it is well prepared to face the conditions of the coming year with confidence.

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, 2020 amounted to approximately HK$418.5 million (2019: HK$385.6 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2020, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$223.1 million (2019: HK$285.0 million), was approximately 4.4% (2019: 4.7%).

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, 2020.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2020, the Group employed 775 staff (as at 30th September, 2019: 824 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 does not recommend the payment of final dividend.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the "AGM"), the register of members of the Company will be closed from Wednesday, 14th April, 2021 to Monday, 19th April, 2021, 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 Tuesday, 13th April, 2021.

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, 2020 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, 2020 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, 2020. 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, 2020, 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, 2020.

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 Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30th September, 2020.

As a result of additional time is required by the Company to provide additional information requested by the independent auditor of the Company, the Group has breached the financial reporting provisions under the Listing Rules in respect of (i) announcing the annual results for the year ended 30th September, 2020; (ii) publishing the related annual report of the Company for the year ended 30th September, 2020; and (iii) convening an AGM for the year ended 30th September, 2020.

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, 2020.

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, 2020 will be dispatched to the shareholders and published on the HKEx's and the Company's websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange had been suspended with effect from 9:00 a.m. on 4th January, 2021. As a result of the publication of the results announcement, an application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 1st March, 2021.

By Order of the Board
WATER OASIS GROUP LIMITED
Tam Siu Kei
Executive Director and Chief Executive Officer

Hong Kong, 26th February, 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.