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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 30 SEPTEMBER 2023**

#### **FINANCIAL HIGHLIGHTS**

- The Group's revenue for the year ended 30 September 2023 increased by 16.0% to approximately HK\$976.6 million when compared with that of last financial year. The increase in revenue was largely driven by strong demand for beauty services.
- For the year under review, the Group's performance was a strong one and reflected its extensive work during the pandemic period in preparation for a return to normality.
- The Group's product/service mix continued to swing in the direction of beauty services, moving to 84.4% from 79.8% a year earlier. This swing directly affected the gross profit margin, which rose to 90.2% from 87.8% when compared with that of last financial year.
- The Group's aggregate core expenses demonstrated a consistent and stable pattern in relation to revenue on a year-on-year basis, thereby making a positive contribution to the overall financial performance.
- Profit for the year amounted to HK\$110.2 million, representing an increase of 64.9% when compared with that of last financial year.
- Recommend the payment of a final dividend of 7.0 HK cents per share.

## **OPERATION HIGHLIGHTS**

### **Beauty Services Business**

- As at 30 September 2023, the Group including the brands of Glycel, Oasis Beauty, Oasis Medical Centre, Oasis Spa, Oasis Dental, spa ph+, AesMedic Clinic and 32°C operates a total of 54 beauty salons in Hong Kong, 2 outlets in Macau as well as 3 outlets in Mainland China.
- During the year under review, a flagship Oasis Medical Centre located in Soundwill Plaza in Causeway Bay was opened in October 2022. By consolidating two Oasis Medical Centres into one, this new medical centre occupies the entire 27th floor of Soundwill Plaza with area more than 7,000 sq. ft., offering exceptional levels of space, comfort and luxury to our customers.
- The Group operates 3 self-managed Oasis Beauty centres in Beijing, representing the same number as a year earlier, although in the period 1 Oasis Beauty centre was closed and a new one opened in a different location.

### **Product Sales Business**

- As at 30 September 2023, the Group operates a total of 10 retail outlets located in Hong Kong, 5 outlets in Macau as well as 1 outlet in Mainland China comprising the self-owned brands like Glycel and Eurobeauté as well as those with distribution rights like Erno Laszlo and HABA.
- During the year under review, the HABA counter in Sogo in Tsim Sha Tsui was relocated to Facesss Harbour City, another premier shopping destination in Tsim Sha Tsui.

### **Outlook**

- The Group is looking ahead at the next twelve months and beyond with strong confidence. The Group has established itself as the leading beauty services group in Hong Kong, benefiting from a wide customer base and the exit of competitors during the pandemic.
- The Group is preparing for further growth by exploring new technology offerings and acquiring unique and cutting-edge equipment, ensuring tailored service offerings for Hong Kong customers.
- Marketing efforts will be intensified to attract new customers, targeting different segments through the Group's retail stores and online platforms.
- The Group's growth focus in the coming year will be firmly on Hong Kong, where much potential remains. With the strategic investments in flagship stores, as well as extensive renovations and relocations, the Group believes this investment and consolidation has given it a significant basis for growth.
- The Group's careful strategic moves in the past few years have helped create a strong platform for the future. Its investment in expanding store sizes and improving their positioning has resulted in highly visible flagship stores that are catching the eyes of Hong Kong consumers and raising the Group's profile to new heights. Given this highly favourable operating landscape, the Group is preparing itself for a dynamic year of active business growth 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 30 September 2023 (the “Consolidated Financial Statements”) as follows:

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

		For the year ended	
		30 September	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>976,572</b>	841,936
Purchases and changes in inventories of finished goods		<b>(95,653)</b>	(103,031)
Other income		<b>10,312</b>	28,666
Other gains or losses		<b>(2,833)</b>	(3,688)
Staff costs		<b>(426,896)</b>	(326,322)
Depreciation		<b>(160,607)</b>	(163,879)
Finance costs	4	<b>(9,032)</b>	(6,688)
Other expenses	5	<b>(151,895)</b>	(140,006)
Derecognition on receivable		<b>–</b>	(33,350)
Profit before taxation		<b>139,968</b>	93,638
Taxation	6	<b>(29,719)</b>	(26,782)
Profit for the year	7	<b>110,249</b>	66,856
Profit (loss) for the year attributable to:			
Owners of the Company		<b>110,320</b>	67,432
Non-controlling interests		<b>(71)</b>	(576)
		<b>110,249</b>	66,856

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

		For the year ended	
		30 September	
		2023	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year		<b>110,249</b>	66,856
<b>Other comprehensive expense:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(669)</u>	<u>(8,472)</u>
Total comprehensive income for the year		<u><b>109,580</b></u>	<u>58,384</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>109,651</b>	58,971
Non-controlling interests		<u>(71)</u>	<u>(587)</u>
		<u><b>109,580</b></u>	<u>58,384</u>
Earnings per share			
Basic	8	<b>16.2 HK cents</b>	9.9 HK cents
Diluted	8	<u><b>16.2 HK cents</b></u>	<u>9.9 HK cents</u>

## Consolidated Statement of Financial Position

		As at 30 September	
		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Intangible assets		74,727	75,424
Goodwill		29,673	29,673
Investment properties		225,033	226,068
Property and equipment		111,219	130,487
Right-of-use assets		316,024	343,014
Rental deposits		34,707	37,922
Deferred tax assets		5,221	5,651
		<u>796,604</u>	<u>848,239</u>
<b>Current assets</b>			
Inventories		46,594	72,293
Trade receivables	10	23,846	18,016
Contract costs		42,809	43,241
Financial assets at fair value through profit or loss		–	579
Prepayments		13,731	14,105
Other deposits and receivables		25,346	29,224
Tax recoverable		2,066	1,179
Bank balances and cash		271,764	234,284
		<u>426,156</u>	<u>412,921</u>
<b>Current liabilities</b>			
Trade payables	11	3,784	2,103
Accruals and other payables		88,528	82,118
Provisions		31,630	32,208
Contract liabilities		491,632	490,197
Secured mortgage loan		–	3,187
Lease liabilities		103,966	101,480
Tax payable		15,908	39,916
		<u>735,448</u>	<u>751,209</u>
<b>Net current liabilities</b>		<u>(309,292)</u>	<u>(338,288)</u>
<b>Total assets less current liabilities</b>		<u>487,312</u>	<u>509,951</u>
<b>Capital and reserves</b>			
Share capital		68,055	68,055
Reserves		244,023	233,052
<b>Equity attributable to owners of the Company</b>		<u>312,078</u>	<u>301,107</u>
<b>Non-controlling interests</b>		<u>800</u>	<u>871</u>
<b>Total equity</b>		<u>312,878</u>	<u>301,978</u>
<b>Non-current liabilities</b>			
Lease liabilities		159,192	184,855
Deferred tax liabilities		15,242	23,118
		<u>174,434</u>	<u>207,973</u>
		<u>487,312</u>	<u>509,951</u>

Notes:

**1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Financial Statements have been prepared on a going concern basis as at 30 September 2023, 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 30 September 2022.

**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 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The amended standards that are effective from 1 October 2022 did not have any material impact on the Group’s accounting policies.

### **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 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	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
HKFRS 17	Insurance Contracts and related amendments <sup>1</sup>
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information <sup>1</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>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>4</sup> 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

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	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time of revenue recognition						
At a point of time	<b>152,815</b>	170,147	–	–	<b>152,815</b>	170,147
Over time	–	–	<b>823,757</b>	671,789	<b>823,757</b>	671,789
	<b>152,815</b>	170,147	<b>823,757</b>	671,789	<b>976,572</b>	841,936



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

	Product segment		Service segment		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	<b>152,815</b>	170,147	<b>823,757</b>	671,789	-	-	<b>976,572</b>	841,936
Inter-segment sales	<b>27,991</b>	34,617	-	-	<b>(27,991)</b>	(34,617)	-	-
Total	<b>180,806</b>	204,764	<b>823,757</b>	671,789	<b>(27,991)</b>	(34,617)	<b>976,572</b>	841,936
Segment results	<b>17,730</b>	16,798	<b>212,030</b>	180,256	-	-	<b>229,760</b>	197,054
Other income							<b>10,312</b>	28,666
Other gains or losses							<b>(2,833)</b>	(3,688)
Finance costs							<b>(9,032)</b>	(6,688)
Derecognition on receivable							-	(33,350)
Central administrative costs							<b>(88,239)</b>	(88,356)
Profit before taxation							<b>139,968</b>	93,638

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 Mainland China.

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

	Revenue	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong and Macau	<b>904,363</b>	748,177
Mainland China	<b>72,209</b>	93,759
	<b>976,572</b>	841,936

#### 4. FINANCE COSTS

	2023	2022
	HK\$'000	HK\$'000
Interest expenses on secured mortgage loan	<b>42</b>	108
Interest expenses on lease liabilities	<b>8,984</b>	6,572
Other interest expenses	<b>6</b>	8
	<b>9,032</b>	6,688

## 5. OTHER EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	1,632	1,920
Amortisation of intangible assets	697	3,540
Bank charges	35,027	25,448
Marketing expenses	19,891	20,259
Expenses relating to leases of		
– Short-term lease expense	6,116	4,843
– Low-value lease expense	781	630
– Variable lease payments not included in the measurement of lease liabilities	5,029	5,974
Building management fees, government rent and rates	31,898	29,885
Cleaning and laundry	7,416	5,466
Transportation, storage and delivery	6,648	7,666
Printing, stationery and administration	8,684	8,727
Utilities and telecommunications	5,556	4,595
Others	22,520	21,053
	<u>151,895</u>	<u>140,006</u>

## 6. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	24,453	14,614
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	13,232	7,554
– Over provision in prior years	(425)	(1,009)
	<u>37,260</u>	<u>21,159</u>
Deferred taxation	<u>(7,541)</u>	<u>5,623</u>
	<u>29,719</u>	<u>26,782</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

On 21 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 28 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% (2022: 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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Profit for the year is stated at after charging:		
Depreciation:		
– Property and equipment	47,303	38,562
– Right-of-use assets	113,304	125,317
and after crediting:		
Interest income on bank deposits	5,012	1,465
Government subsidies (note)	–	28,419
Rental income from investment properties net of negligible direct operating expenses	3,502	3,464
Rent concessions related to COVID-19	–	13,951
	<u>          </u>	<u>          </u>

*Note:* During the year ended 30 September 2022, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK\$20,644,000 under the Employment Support Scheme which were included in staff costs; other subsidies of HK\$7,775,000 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. During the year ended 30 September 2023, there was no government subsidy granted.

## 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>110,320</u>	<u>67,432</u>
	<b>Number of shares</b>	
	2023	2022
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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend declared and paid of 7.0 HK cents (2022: Nil) per share	47,639	–
Final dividend proposed after the end of the reporting period of 7.0 HK cents (2022: 7.5 HK cents) per share	<u>47,639</u>	<u>51,041</u>
	<u>95,278</u>	<u>51,041</u>

The 2023 final dividend of 7.0 HK cents (2022: 7.5 HK cents) per share, amounting to approximately HK\$47,639,000 (2022: HK\$51,041,000), 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 30 September 2023 were approximately HK\$98,680,000 (2022: HK\$112,291,000).

## 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	17,369	10,283
31 to 60 days	1,996	1,752
61 to 90 days	1,177	1,674
91 to 120 days	1,488	1,396
121 to 150 days	1,134	2,180
151 to 180 days	628	660
Over 180 days	54	71
	<u>23,846</u>	<u>18,016</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	3,217	1,799
31 to 60 days	485	299
Over 60 days	82	5
	<u>3,784</u>	<u>2,103</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

The Group's performance for the year ended 30 September 2023 was a strong one, and reflected its extensive work during the pandemic period in preparation for a return to normality. Thus even though the local economy was far from robust in 2022-23, the Group achieved double-digit growth in its revenue and profit after tax for the year, largely driven by strong demand for its beauty services. As a result, the Group's product/service mix continued to swing in the direction of beauty services, moving to 84.4% from 79.8% a year earlier. This swing directly affected the GP margin, which rose to 90.2% from 87.8% previously.

The Group's core expenses remained stable year-on-year. Depreciation costs of property and equipment remained at a similar level of 4.8% of revenue, as the Group continued its policy of regular store renovations and equipment purchases. Rental costs fell to 16.9% (from 20.5%) of revenue as the muted market environment moderated rent levels. However, staff costs rose, to 43.7% from 38.8% of revenue a year earlier, even though total staff numbers fell slightly year on year, to 1,073 from 1,112 a year earlier. This reflects a challenging labour market in Hong Kong, with the Group having to invest in measures designed to retain high performing staff and maintain a steady staff base.

The Group's brands benefited from its strategy in recent years of renovating, relocating and consolidating major brands into spacious flagship stores in popular destinations. These larger-scale stores not only cater for larger numbers of customers and offer greater booking flexibility, but they are able to leverage valuable synergies between different brand offerings. The consolidation process meant that at year-end, the Group was operating 64 Water Oasis portfolio outlets in Hong Kong, down from 69 the previous year. Despite this reduction in store numbers, the Group's results are up and the relocation and restructuring process has without doubt benefited the Group's overall performance.

Much of the Group's investment in major store relocations and consolidation was done in the previous financial year. As a result, capital expenditure for the year under review was only about one third of that in 2021/22, falling to HK\$29.0 million in total from HK\$90.4 million previously.

As at 30 September 2023 the Group held bank balances and cash of approximately HK\$271.8 million in total. Its current ratio was 0.58:1. The board of directors has recommended the payment of a final dividend of 7.0 HK cents per share, bringing the full-year dividend to 14.0 HK cents (2022: 7.5 HK cents) per share.

## **BUSINESS REVIEW**

### **BEAUTY SERVICES**

#### **OASIS Portfolio**

Several brands are included in the Group's successful "Oasis" portfolio of beauty services and related wellness and lifestyle services. Chief among them are Oasis Beauty and Oasis Spa, providing high quality full-service beauty treatment services at locations across Hong Kong, and Oasis Medical Centre, which offers specialist medical beauty procedures under the supervision of registered doctors. Other smaller-scale service businesses in the Oasis portfolio include Oasis Homme, Oasis Hair Spa, Oasis Dental, Oasis Mom and Oasis Florist.

Oasis Beauty and Oasis Spa both enjoyed highly successful years, with each brand recording double digit growth in revenue. The clean, sophisticated décor and comfortable environs of these beauty centres helped attract and retain customers, as did the regular introduction of new treatments and products along with special offers. Offerings in the period included new 4D Pump equipment combining two major 4D regenerative energies with skin revitalising products to deliver a personalised 4D skin revitalisation regimen; another treatment that utilises HABA G-lotion and squalene products in conjunction with LiftPower phototherapy and ultrasonic vibration technology for skin tightening; and the introduction of world-first HI-Frush technology with RF radiofrequency energy to activate collagen restructuring in the skin layers.

The number of Oasis Beauty and Oasis Spa outlets in Hong Kong remained steady at 15 and 3 respectively. Meanwhile, the number of Oasis Medical Centres in operation fell by 1, to 10, as a result of the closure of the Oasis Medical Centre in the World Trade Centre in Causeway Bay. The operations of this centre were combined with those of the nearby much larger Oasis Medical Centre in the Soundwill Plaza, expanding the comfort and convenience available for customers.

New treatments introduced by Oasis Medical Centre in the period included an entry-level light medical aesthetic treatment to enhance facial contours and improve skin texture. The brand also rolled out the AestheFill® Elf Needle, a treatment that stimulates the production of type I collagen in the skin. Another major piece of new equipment, SEYO-TDA, incorporates patent-pending non-invasive transdermal technology originating from Germany. It delivers high concentrations of pure oxygen and active essences precisely into the skin layers, activating metabolic circulation and rapidly repairing fatigued or damaged cells.

Other Oasis ventures include Oasis Dental, which has continued to operate successfully in its Royal Park Hotel premises in Shatin since its opening in April 2022. The Group's 4 Oasis Hair Spas, offering high-end hair and scalp treatments, operate inside selected Oasis Beauty outlets, and continued to provide an extension of the face and body treatments offered under that brand.

The Group also operates 3 self-managed Oasis Beauty stores in Beijing, representing the same number as a year earlier, although in the period 1 Oasis Beauty store was closed and a new one opened in a different location. Results were muted for the year, due in part to challenges being faced by the Mainland economy.

At year-end, the Group was operating 15 Oasis Beauty centres in Hong Kong and another 2 Oasis Homme centres for men, the same number as in the previous year. There were 10 Oasis Medical Centres in operation in Hong Kong. In addition, the Group was operating 1 Oasis Beauty Store in Macau and 3 self-owned Oasis Beauty centres in Mainland China, along with 3 Oasis Spa outlets and 4 Oasis Hair Spas in Hong Kong.

### **Glycel**

Separate from its Oasis portfolio is the Group's well-known self-owned Glycel brand. Glycel records revenue from both beauty services, under its Skinspa treatment operations, and sales of Glycel-branded products.

Like the Oasis beauty services, Glycel operations performed very strongly over the year, also achieving double-digit growth. Among the drivers for the brand's success were several new beauty treatments, such as Youthful Reveal, a needle-free red light oxygen infusion process combined with photon skin therapy that enhances nutrient absorption into the skin, increases skin oxygen levels, and improves skin texture. In addition, the brand rolled out its GLYCEL PowerFirm, which utilises three modes of RF technology for highly effective skin tightening results.

As at 30 September 2023 the Group was operating 16 Glycel outlets in Hong Kong and a further 2 in Macau.

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

These 3 beauty services brands were both acquired as part of the Millistrong acquisition of 2021. The spa ph+ brand currently operates in 5 outlets across Hong Kong, offering high class beauty services. It enjoyed a strong performance in 2022/23. AesMedic Clinic, meanwhile, is a single medical beauty outlet situated in the World Trade Centre in Causeway Bay. 32°C continued to be sold from 1 outlet in Hong Kong.

### **Product sales**

Balancing the Group's strong beauty services portfolio is an array of retail beauty brands which it either owns or for which it has distributor rights. Beauty product sales were soft in the year under review, and overall demand was relatively weak, leading to average performances.



## **HABA**

HABA is a skincare brand represented by 3 stores in Hong Kong, 2 counters in Macau, and a wholesale distributorship platform in Mainland China. A number of new products or series were rolled out in the year, expanding the range of this popular brand. They included a new Deep Moisture Light Lotion, specially designed for dehydrated skin; a moisturising facial foam product using ingredients sourced from Japan; a Micro-force cleansing product that harnesses water-soluble squalene essence particles for effective make-up removal without skin dryness; a beauty beverage containing 17% grape extract and ingredients rich in polyphenols and vitamin C, L-cysteine and phospholipids for skin health; grape-flavoured soft gummies for effective absorption of iron, especially suitable for people with anaemia, pregnant women, and those on a diet; and various health supplements all designed for skin enhancement.

## **Glycel**

Alongside this brand's beauty services, described above, it offers a range of sophisticated beauty products, many of which are incorporated into its beauty service treatments. The products are available for purchase in the 16 Glycel outlets in Hong Kong and 2 outlets in Macau.

Among new products rolled out in the year was the GLYCEL 6D Magic Mask, combining three types of hyaluronic acid, a triple collagen formula, and six natural nourishing and repairing ingredients. The mask incorporates 6D cutting technology to achieve an unprecedented level of adherence to the face and exceptional absorption of ingredients.

## **Eurobeauté and DermaSynergy**

The Group's Eurobeauté brand includes a range of products used in and sold to customers at its Oasis Beauty centres as well as its own outlets in Hong Kong and Macau, while its self-owned DermaSynergy brand offers various skincare and related beauty products for consumers and is mostly sold at Oasis Medical Centres.

## **Erno Laszlo**

The Group operated 3 Erno Laszlo outlets at year end, 2 in Hong Kong and 1 in Macau, having closed one store in December 2022. In the period Erno Laszlo launched its new Sensitive Collection, which features the patented SensCalm3 Complex, a natural ingredient blend that is safe, gentle and fragrance-free. The collection is made up of three separate products which together form the highly effective "Anti-Sensitivity Trilogy" for those who suffer from sensitive skin.

## Prospects

The Group is looking ahead at the next twelve months and beyond with strong confidence. By focusing its operating model on meeting domestic demand, and by offering beauty services and products across many economic levels to meet that demand, the Group has attracted a very wide customer base. It has also been helped in establishing itself as Hong Kong's leading beauty services group by the fact that some competitors exited the market under the strains of the pandemic. As a result, the Group is setting the standards for the market, and has become a top choice for customers of all ages and spending tiers, who have expressed enthusiasm for the professionalism and high service standards that are in place right across its brand portfolio.

Given this satisfying foundation, the Group is now gearing up for further growth in the year ahead. With international trade fairs and exhibitions returning to normal, Group management are travelling regularly to fairs to explore new technology offerings, and seek out new and cutting-edge equipment as and when it becomes available. In some case, the Group is able to deal directly with manufacturers to acquire customised equipment, meaning that its service offerings are unique in the market and especially tailored for Hong Kong customers.

One focus in the year ahead will be on acquiring new customers looking for reliable, high quality beauty options, from high end (Oasis Spa), middle tier (Oasis Beauty) to mass market product offerings via the Group's different retail stores. Marketing for new target segments will be stepped up over the coming year, and individual brands will be widely promoted both on the Group's own online platforms and on third-party platforms. Work will continue to be done on consolidating and growing the Group's promising e-commerce business for products. Plans are also afoot for a number of creative marketing campaigns that the Group will roll out in the months ahead.

The Group operates 3 self-owned Oasis Beauty outlets in Beijing, and it does see some potential arising in the nearer-to-hand Greater Bay Area (the "GBA"). Given the relatively weak economy, however, and the different customer profiles associated with the Mainland, it does not intend to seek the GBA expansion at this stage unless conditions are absolutely right. As a result, the Group's growth focus in the coming year will be firmly on Hong Kong, where much potential remains. In 2021/22 it spent over HK\$90 million on its flagship stores along with renovations and relocations, and it believes this investment and consolidation has given it a significant basis for growth.

In summary, the Group's careful strategic moves in the past few years have helped create a strong platform for the future. Its investment in expanding store sizes and improving their positioning has resulted in highly visible flagship stores that are catching the eyes of Hong Kong consumers and raising the Group's profile to new heights. Customer feedback across the board is highly positive, and more and more potential customers are looking closely at the Group's offerings, attracted by strong advertising campaigns and other marketing initiatives. Given this highly favourable operating landscape, the Group is preparing itself for a dynamic year of active business growth ahead.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30 September 2023 mainly denominated in HK\$ amounted to approximately HK\$271.8 million (2022: HK\$234.3 million). The Group generally finances its operation with internally generated resources.

As at 30 September 2023, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity was nil (2022: 1.1%).

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 30 September 2023, the carrying amount of Group's asset amounted to HK\$225.0 million (2022: HK\$226.1 million) was pledged to secure a mortgage loan granted to the Group. As at 30 September 2023, the Group's secured mortgage loan balance was nil (2022: HK\$3.2 million).

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liability as at 30 September 2023.

## **CAPITAL COMMITMENTS**

The Group had capital commitments of HK\$2.8 million as at 30 September 2023 (2022: HK\$2.9 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2023, the Group employed 1,073 staff (2022: 1,112 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options (if any) 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 7.0 HK cents per share for the year ended 30 September 2023. The proposed final dividend, if approved at the forthcoming annual general meeting on Friday, 2 February 2024 (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 Wednesday, 14 February 2024.

## **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, 30 January 2024 to Friday, 2 February 2024, 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, 29 January 2024.
- (ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 8 February 2024 to Wednesday, 14 February 2024, 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, 7 February 2024. The relevant dividend warrants will be dispatched to shareholders on Thursday, 29 February 2024.

## **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 30 September 2023 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 30 September 2023 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 30 September 2023. 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 30 September 2023, 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 30 September 2023.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions as 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 30 September 2023.

## **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 30 September 2023.

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 30 September 2023 will be published on the HKEx’s and the Company’s websites in early of January 2024.

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

Hong Kong, 15 December 2023

*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., Dr. Wong Chi Keung and Dr. Chan Chi Kau, Johnnie Casire, S.B.S., B.B.S., J.P.*