Water OASIS Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2016

FINANCIAL HIGHLIGHTS

- For the year under review, the Group's turnover decreased by 9.4% to approximately HK$626.8 million as compared with that of last year, primarily due to the generally weak economic and uncertainties situation in Hong Kong which affected spending as well as the slower uptake and consumption pattern habits of consumers across the board.

- Gross profit margin remained stable at approximately 90.9%, the same as last year.

- Careful and prudent cost-management had been exercised to reduce its overall costs which included the closure of a number of unprofitable outlets. For the year under review, advertising, rental and staff costs all fell by comparison with the previous year, resulting in profit for the year decreased by 44.8%. In summary, the turnover and profit for the period dropped by 11.1% and 72.0% in the first half of the year and dropped by 7.6% and increased by 3.6% in the second half of the year comparing with the same period in 2015.

- The Group's sales mix rose to approximately 75.4% in beauty services and 24.6% in retail sales, comparing to 73.7% and 26.3% with that of last year.

- The Group retained a strong cash position of approximately HK$300.5 million as at 30th September, 2016, representing an increase of HK$40.5 million over same period last year.

- Recommended the payment of a final dividend of 2.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- Oasis Medical Centres in Hong Kong continued to perform well despite the challenges of the general environment, posting a growth of 4.1% in turnover compared with last year. Utilising the latest high-end medical equipment and employing qualified doctors and other highly-trained staff, the centres have built a strong reputation for high-quality medical beauty treatments.

- Performance in total retail and services' turnover of the Glycel brand fell year-on-year, by approximately 8.8% which was in line with the overall economic and retail environment. Glycel continued to introduce new products, treatments and innovative beauty devices to maintain its leadership position in the market.

- Both the Group's Oasis Beauty and Oasis Spa businesses in Hong Kong experienced a moderate downturn in business due to the external factors mentioned above. However, Oasis Beauty continued to invest in new products and new services designed to give customers the very best and latest in beauty treatments.

- As at 30th September, 2016, the Group operated 9 Glycel Skinspas, 17 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 3 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC.

Retail Business

- Turnover of both Erno Laszlo and H2O+ brands dropped during the year under review, profitability were improved mainly due to the closure of unprofitable outlets in Hong Kong.

- Sales of products under each of the Group's owned brands Eurobeauté and DermaSynergy reported double-digit growth during the year under review when compared with sales of the relevant brand's products last year.

- As at 30th September, 2016, there were 4 Glycel, 5 Erno Laszlo and 6 H2O+ outlets operating in Hong Kong as well as 2 outlets in Macau.

Outlook

- Looking forward, the Group will leverage its impressive and integrated brand portfolio to drive long-term success. This will be achieved by expanding its potential client base through data analytics; online visibility enhancement; new products; high technology equipment and services to enhance revenue, while continuing to exercise robust costs controls and prudent financial management to increase profitability.

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, 2016 (the "Consolidated Financial Statements") as follows:

Consolidated Statement of Profit or Loss

	Notes	For the year ended 30th September, 2016 HK$'000	2015 HK$'000
Turnover	3	**626,823**	691,681
Purchases and changes in inventories of finished goods		**(57,088)**	(63,054)
Other income		**6,927**	6,305
Other gains or losses		**(1,826)**	1,179
Staff costs		**(286,367)**	(298,288)
Depreciation of property and equipment		**(19,815)**	(23,903)
Finance costs	4	**(520)**	(583)
Other expenses		**(227,198)**	(244,805)
Profit before taxation		**40,936**	68,532
Taxation	5	**(11,936)**	(16,043)
Profit for the year	6	**29,000**	52,489
Profit (loss) for the year attributable to:			
Owners of the Company		**29,063**	50,563
Non-controlling interests		**(63)**	1,926
		29,000	52,489
Earnings per share			
Basic and diluted	7	**3.8 HK cents**	6.6 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 30th September, 2016 HK$'000	2015 HK$'000
Profit for the year	**29,000**	52,489
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(805)**	(528)
Reclassification adjustment of other comprehensive (expense) income upon strike off of a subsidiary	**(233)**	95
Total comprehensive income for the year	**27,962**	52,056
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**28,019**	50,166
Non-controlling interests	**(57)**	1,890
	27,962	52,056

Consolidated Statement of Financial Position

	Notes	As at 30th September, 2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets		**59,144**	59,130
Goodwill		**3,012**	3,012
Investment properties		**229,549**	230,874
Property and equipment		**32,903**	38,074
Rental deposits		**28,727**	33,639
Deferred tax assets		**3,871**	3,798
		357,206	368,527
Current assets			
Inventories		**32,364**	33,096
Trade receivables	9	**24,011**	27,185
Prepayments		**61,235**	53,491
Tax recoverable		**5**	–
Other deposits and receivables		**13,151**	8,492
Bank balances and cash		**300,544**	260,030
		431,310	382,294
Current liabilities			
Trade payables	10	**5,124**	2,167
Accruals and other payables		**70,713**	78,782
Receipts in advance		**380,087**	327,883
Secured mortgage loan – due within one year		**3,058**	2,993
Tax payable		**12,258**	20,168
		471,240	431,993
Net current liabilities		**(39,930)**	(49,699)
Total assets less current liabilities		**317,276**	318,828
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**202,562**	201,188
Equity attributable to owners of the Company		**278,957**	277,583
Non-controlling interests		**7,153**	7,210
Total equity		**286,110**	284,793
Non-current liabilities			
Secured mortgage loan – due after one year		**19,500**	22,558
Deferred tax liabilities		**11,666**	11,477
		31,166	34,035
		317,276	318,828

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, 2016, 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:

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, 2015.

New and revised Hong Kong Financial Reporting Standards ("HKFRS(s)") issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 9 (as revised in 2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1st January, 2018.
[2] Effective for annual periods beginning on or after 1st January, 2016.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1st January, 2019.
[5] Effective for annual periods beginning on or after 1st January, 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact of application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs an assessment.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liabilities, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of HKFRS 16 and it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs an assessment.

The Company has not yet applied the new and revised HKFRSs that have been issued but are not yet effective. Other than the above, the directors of the Company anticipate that the application of new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, in respect of the Group's business is focused on operation mode. The Group's operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

(i) Retail segment – the retail sales of skincare products

(ii) Services segment – provision of services in beauty centres, spas, medical beauty centres and other businesses

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

	Retail segment		**Services segment**		**Elimination**		**Consolidation**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**154,161**	182,153	**472,662**	509,528	**–**	–	**626,823**	691,681
Inter-segment sales	**24,884**	57,902	**–**	–	**(24,884)**	(57,902)	**–**	–
Total	**179,045**	240,055	**472,662**	509,528	**(24,884)**	(57,902)	**626,823**	691,681
Segment results	**31,607**	26,467	**75,894**	100,684	**–**	–	**107,501**	127,151
Other income							**6,927**	6,305
Other gains or losses							**(1,826)**	1,179
Finance costs							**(520)**	(583)
Central administrative costs							**(71,146)**	(65,520)
Profit before taxation							**40,936**	68,532

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 turnover by geographical location is detailed below:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong and Macau	**605,671**	673,132
The PRC	**21,152**	18,549
	626,823	691,681

4. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**520**	583

5. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**8,901**	14,877
The PRC Enterprise Income Tax ("EIT")	**2,118**	–
Under (over) provision in prior years	**775**	(866)
	11,794	14,011
Deferred taxation	**142**	2,032
	11,936	16,043

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

The PRC EIT was calculated at the statutory income tax rate of 25% (2015: 25%) on the assessable profits.

Withholding tax has been imposed on dividends payable to foreign shareholders out 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.

Taxation on profits generated outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

6. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,193**	1,168
Amortisation of intangible assets	**205**	259
Allowance for doubtful debts	**–**	274
Write-off of inventories	**951**	–
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**111,623**	124,210
– contingent rents	**3,867**	3,331
and after crediting:		
Interest income on bank deposits	**1,264**	1,365
Rental income from investment properties	**5,296**	4,437

7. 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:

	2016	2015
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**29,063**	50,563

	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**763,952,764**	763,952,764

Diluted earnings per share for the year ended 30th September, 2015 was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during that year.

For the year ended 30th September, 2016, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of these options was higher than the average market price of shares from the date of grant of share options to the end of the reporting period and hence the share options were not dilutive.

8. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend declared and paid of 1.0 HK cent (2015: 4.0 HK cents) per share	**7,640**	30,558
Final dividend proposed after the end of the reporting period of 2.0 HK cents (2015: 2.5 HK cents) per share	**15,279**	19,099
	22,919	49,657

The 2016 final dividend of 2.0 HK cents (2015: 2.5 HK cents) per share, amounting to approximately HK$15,279,000 (2015: HK$19,099,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2016 were approximately HK$26,739,000 (2015: HK$68,755,000).

9. TRADE RECEIVABLES

The Group generally allows its trade debtors' credit terms of 30 days to 90 days. The following is an aging analysis of trade receivables, presented based on the payment due dates, net of allowances for bad and doubtful debts, at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**23,940**	27,151
31 days to 60 days	**–**	12
Over 90 days	**71**	22
	24,011	27,185

Movement in the allowance for trade receivables:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**589**	1,093
Impairment loss recognised	**–**	274
Write-off of trade receivables	**–**	(778)
Balance at end of the year	**589**	589

10. TRADE PAYABLES

The following is an aging analysis of trade payables, presented based on the payment due date, at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**5,124**	2,167

The average 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.

11. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 30th September, 2016 ("the year"), the Group had to deal with strong macro-economic events that dampened consumer spending and had a particularly adverse effect on the beauty and skincare market. The generally weak retail environment continued to put the brakes on discretionary spending. This was accompanied by a continuation of the trend towards slower uptake and consumption patterns among users of the Group's beauty services packages. However, the Group's second half profit performance represented an improvement over the first half, indicating that the turnaround measures implemented over the year have been effective. Overall, the Group's performance was in line with the industry trend; its fall in overall turnover and profit for the year amounted to 9.4% and 44.8% respectively. Meanwhile the turnover and profit for the period dropped by 11.1% and 72.0% in the first half of the year and dropped by 7.6% and increased by 3.6% in the second half of the year comparing with the same period in 2015.

Careful management of its operations combined with stringent cost controls enabled the Group to keep its gross profit margin stable at 90.9%, the same as last year. Basic earnings per share for the year amounted to 3.8 HK cents (2015: 6.6 HK cents).

The Group's gradual transformation of the past few years from a primarily retail business to a services-driven business continued. This was again demonstrated by the change in the overall sales mix for the year, which rose to 75.4% beauty services as against 24.6% retail, compared with 73.7% and 26.3% respectively last year.

The Group was able to reduce its overall costs for the year by comparison with the previous year due to careful and prudent cost-management, which included the closure of a number of unprofitable outlets. Its advertising, rental and staff costs all fell by 1.5%, 8.3% and 4.0% respectively by comparison with the previous year.

The Group's bank balances and cash levels as at 30th September, 2016 stood at approximately HK$300.5 million. Its current ratio was 0.9:1 and its debt-equity ratio was 7.9%. The board of directors has recommended the payment of a final dividend of 2.0 HK cents per share, bringing the full-year dividend to 3.0 HK cents per share (2015: 6.5 HK cents).

BUSINESS REVIEW

OASIS Portfolio

The Group's Oasis brand portfolio includes a series of related beauty services – Oasis Beauty, Oasis Spa, and Oasis Homme – together with its professional medical beauty brand Oasis Medical Centre, an online florist business, Oasis Florist, and a nail care business, Oasis Nail. Starting in June and running through to the end of the year, a holistic Oasis "Nude Beauty" marketing campaign was run in support of the entire Oasis brand portfolio. The campaign, which included online, outdoor, and traditional print advertising along with various instore activities, successfully generated over 20 million cumulative views. The various Oasis brands and promotion messages dramatically increased public awareness of the quality of the Group's brands and services, and led to a significant rise in new customer trials and purchases by existing customers.

Oasis Beauty and Oasis Spa

Enhanced Quality Awareness and Increase in New Trials of Oasis Brands

For the year under review, both the Group's Oasis Beauty and Oasis Spa businesses in Hong Kong experienced a moderate downturn in business due to the external factors mentioned above. In total, turnover decreased by 9.8%.

In response to the volatile market, Oasis Beauty continued to invest in new products and new services designed to give customers the very best and latest in beauty treatments. During the year, sophisticated new Korean-style facial treatments were introduced to Oasis Beauty outlets, and new V-Lift 8 beauty equipment was also installed. These developments, together with the impact of the Oasis Campaign mentioned above, helped enhance the reputation of Oasis Beauty for high quality services, and encouraged a large number of new trials of both beauty services and Oasis products.

At year-end, the Group was operating a total of 20 Oasis Beauty centres in Hong Kong (comprising 17 Oasis Beauty and 3 Oasis Homme outlets), together with three self-managed Oasis Beauty centres in the PRC. One Oasis Beauty outlet was opened in Sheung Shui during the year to serve north-eastern New Territories consumers. The franchised Oasis Beauty operation in Zhejiang, the PRC ceased operation during the year. The Group's Oasis Beauty Store in Macau continued to operate.

Oasis Medical Centre

Sustained Growth and Improved Productivity

The Group's 6 Oasis Medical Centres in Hong Kong continued to perform well despite the challenges of the general environment, posting growth of 4.1% in turnover when compared with that of last year. Indeed, Oasis Medical Centres have been an ongoing success story for the Group since they were first introduced in 2008. Utilising the latest in high-end medical equipment and employing qualified doctors and other highly-trained staff, the centres have built a strong reputation for high-quality medical beauty treatments that are able to make a significant difference for many users.

During the year, new Oasis Medical Centre services were introduced that included a new Derma Veil injection treatment for skin enhancement, which has been proven effective in diminishing skin damage from aging, sickness or sun exposure. In addition, an innovative new piece of beauty equipment for advanced body shaping and slimming, the Duet Thermalshape, was introduced.

Customer increases in the year led to higher utilisation of doctor capacity, and an overall increase in doctor productivity of around 15%.

Glycel

Steps to Strengthen Swiss Anti-aging Professional Positioning and Leadership in Beauty Device Market

Glycel is a self-owned brand comprising beauty treatment services and related products that originate from Switzerland. In line with the overall economic and retail environment, the performance in total retail and services' turnover of the Glycel brand fell year-on-year, by approximately 8.8%.

The Group introduced a number of innovative new beauty devices and products under the Glycel brand during the year. A new device for eye treatment, the One-Touch Intelligent Eye Therapist, along with the V-Ultrasonic Clarifying Peel, were welcomed for their treatment of a delicate area of the face. Other new treatments included Glycel Oxyage, while several new Glycel products such as Hydro-Firm Skin Perfection Cream and Hydro-Firm Instant Lift Face Mask were also introduced.

The Group closed three Glycel outlets, while 2 new outlets were opened at the same time during the year. Besides, it also briefly opened two Glycel counters in ISA stores during the year, but closed both before year-end. The result was a slight reduction in the total number of Hong Kong Glycel outlets, to 13 from 14 a year previously.

Erno Laszlo

Improved Profitability Despite Reduction in Turnover

Two unprofitable Erno Laszlo outlets were closed during the year, leaving 5 in operation at year-end against 7 the previous year.

Although a couple of outlets were closed, the Erno Laszlo brand was given good impetus with the launch of a range of new products that included attractive new skin cleansing bars and oils for all types of skin.

H2O+

Sales of H2O+ brand products fell in line with the market over the year. The Group closed down 7 low-performing H2O+ outlets and opened one new outlet in Causeway Bay. The overall result was to halve the number of outlets at year-end from the 12 in operation one year previously.

DermaSynergy and Eurobeauté

Good Performance by Self-owned Brands due to Abundant Innovation Pipeline

Products of the Group's owned brand Eurobeauté, extensively used as part of many Oasis Beauty treatments, are also sold at its outlets to consumers. During the year, 7 brand new Eurobeauté products were introduced, significantly spurring uptake of these products and leading to double-digit growth in product sales for the year. Similarly, DermaSynergy products generated enthusiasm among users, leading to strong growth in product sales of this own brand.

PROSPECTS

Many uncertainties in the overall environment remain, and the Group expects the year 2016/2017 to remain a difficult operating environment. A cautious and prudent approach to achieving organic growth will therefore continue to be adopted in managing the coming year.

The Group's growth strategy will primarily be focused on increasing its core competencies and further boosting its competitiveness in areas such as its ability to provide a superior customer experience, to engage consumers, and to run its operations effectively. These remain the keys to a successful future, especially in the face of the current business challenges.

In practical terms, the Group will leverage its impressive and integrated brand portfolio to drive long-term success. At the same time, it will continue to work on building and shaping its existing customer pool profile and mix. This will involve it in expanding the range of customers that it serves, to create a broader pool that will provide a better balance that is both profitable and sustainable.

Throughout this process, the Group will continue to exercise robust cost controls across its operations, continuing its long tradition of prudent financial management.

The Group withdrew from China's retail market for beauty products some years ago, in the face of intense competition and challenging operational requirements. However, it believes that its products have considerable potential in the PRC market, and is continuously looking into ways of tapping into cross-border e-commerce platforms and developing opportunities to get China consumers involved in product trials.

Going forward into the coming year, there are a number of strategic priorities that the Group expects to be at the forefront of its activities. Its Oasis Medical Centres are an ongoing success story, and it is clear they have much potential for further penetration in the market. The Group will be leveraging its successes with this segment to further establish itself as a leader in the field of medical beauty, and in particular an expert in firming and injection treatments.

Oasis Beauty will maintain its focus on acquiring new customers and enhancing the "stickiness" of the existing customer base, thus generating a broad groundswell of loyal users. Data analytics and enhancements in online visibility will be important drivers here, as will be the introduction of new high technology, high efficacy treatments. The Glycel brand will also be re-boosting productivity through innovation, with plans afoot to introduce new equipment and services in its operations, along with new beauty devices and anti-aging products for home use. Meanwhile, the Group's own DermaSynergy and Eurobeauté brands are being groomed as the next growth drivers for the Group.

The Group's continual investment in its core businesses as described above is working to raise its brand profile among Hong Kong consumers and expand its potential client base. Should opportunities for cooperation and joint promotions with other parties arise, or acquisition opportunities that could help the Group further achieve its goals, these will be closely explored. The Group is confident that its careful market-focused development will unlock new customers and help it further broaden its client base in the future.

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, 2016 amounted to approximately HK$300.5 million (2015: HK$260.0 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2016, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$286.1 million (2015: HK$284.8 million), was approximately 7.9% (2015: 9.0%).

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, 2016.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2016, the Group employed 741 staff (as at 30th September, 2015: 784 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 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 2.0 HK cents per share for the year ended 30th September, 2016. The proposed final dividend, if approved at the forthcoming annual general meeting (the "AGM"), will be dispatched to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 24th February, 2017.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Wednesday, 15th February, 2017 to Friday, 17th February, 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14th February, 2017.

(ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed from Thursday, 23rd February, 2017 to Friday, 24th February, 2017, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22nd February, 2017. The relevant dividend warrants will be dispatched to shareholders on Friday, 10th March, 2017.

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, 2016 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Consolidated Financial Statements.

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

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 during the year ended 30th September, 2016.

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, 2016.

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, 2016.

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. Starting from 13th February, 2012, the Company had designated directors for the purpose of receiving notification and providing acknowledgment in respect of dealing in securities of the Company under Rule B.8 of the Model Code in accordance with a stipulated memorandum detailing notification procedures to ensure compliance with the Model Code by the directors. 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, 2016.

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, 2016 will be dispatched to the shareholders and published on the HKEx's and the Company's websites in due course.

By Order of the Board
WATER OASIS GROUP LIMITED
Yu Kam Shui, Erastus
Executive Director

Hong Kong, 15th December, 2016

As at the date of this announcement, the executive directors of the Company are Mr. Yu Kam Shui, Erastus, Mr. Tam Chie Sang, 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.