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, 2017

FINANCIAL HIGHLIGHTS

- For the year under review, the Group's turnover increased by 2.9% to approximately HK$644.8 million when compared with that of last year. This was mainly due to the increased contribution from our service segment which offsets the decrease in retail sales performance.
- The Group's sales mix rose to approximately 78.2% in beauty services and 21.8% in retail sales in the financial year of 2017, comparing to 75.4% and 24.6% with that of last year.
- Gross profit margin for the 2017 financial year increased to approximately 91.9% from 90.9% of last year.
- The Group continued its efficient approach on cost controls to increase competitiveness. For the year under review, all four expenditure areas including advertising, depreciation, rental and staff costs were successfully reduced by 40.1%, 17.3%, 6.3% and 0.2% respectively when compared with that of last year. Together with the increase in sales and gross profit margin, these resulted in an increase in profit for the year by 139.0% to approximately HK$69.3 million.
- The Group retained a strong cash position of approximately HK$402.4 million as at 30th September, 2017, representing an increase of HK$101.9 million over 2016 financial year end.
- Recommended the payment of a final dividend of 4.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- In the year under review, the Group's Hong Kong beauty services segment performance was strong across Oasis brand portfolio (Oasis Beauty, Oasis Spa, Oasis Medical Centre and Oasis Homme) as well as Glycel. These positive results were driven by the Group's commitment on new treatments, services and latest high-tech equipment, complementing with new digital marketing initiatives and the newly launched mobile apps.

- As at 30th September, 2017, the Group operated 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 2 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC and 1 Oasis Beauty Store in Macau.

Retail Business

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy, and two licensed brands, H2O+ and Erno Laszlo.

- In the year under review, Eurobeauté's sales performance was outstanding which partly offsets the decrease in retail sales performance of other retail brands. The decrease in retail sales were partly due to the closing down of some of the underperforming retail outlets as well as the relatively weak economic climate in the Hong Kong retail market. However, the bottom line on retail segment showed positive results as a result of the reduction of both rental and staff costs on these non-profitable outlets when compared with that of last year.

- As at 30th September, 2017, the Group operated 5 H2O+ outlets, 5 Erno Laszlo stores, 4 Glycel stores in Hong Kong as well as 1 further Glycel outlet in Macau.

Outlook

- To maintain its status at the head of the market, the Group will continue to enhance its richness of digital engagement with customers and to increase its level of digital marketing strategy, backed up by our data analytics team for better business decisions.

- The Group will continue to bring its customers with new and advanced beauty technologies using the latest advanced beauty equipment purchased all over the world, as well as to enhance its professional teams, including its doctors and service staff, to ensure its high-level service standards are maintained and enriched.

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, 2017 (the "Consolidated Financial Statements") as follows:

Consolidated Statement of Profit or Loss

		For the year ended 30th September,	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**644,831**	626,823
Purchases and changes in inventories of finished goods		**(52,416)**	(57,088)
Other income		**8,685**	6,927
Other gains or losses		**(1,482)**	(1,826)
Staff costs		**(285,844)**	(286,367)
Depreciation of property and equipment		**(16,396)**	(19,815)
Finance costs	4	**(455)**	(520)
Other expenses		**(211,202)**	(227,198)
Profit before taxation		**85,721**	40,936
Taxation	5	**(16,397)**	(11,936)
Profit for the year	6	**69,324**	29,000
Profit (loss) for the year attributable to:			
Owners of the Company		**69,331**	29,063
Non-controlling interests		**(7)**	(63)
		69,324	29,000
Earnings per share			
Basic and diluted	7	**9.1 HK cents**	3.8 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 30th September,	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**69,324**	29,000
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**457**	(805)
Reclassification adjustment of other comprehensive expense upon strike off of a subsidiary	**–**	(233)
Total comprehensive income for the year	**69,781**	27,962
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**69,794**	28,019
Non-controlling interests	**(13)**	(57)
	69,781	27,962

Consolidated Statement of Financial Position

		As at 30th September,	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Intangible assets		**59,184**	59,144
Goodwill		**3,012**	3,012
Investment properties		**230,738**	229,549
Property and equipment		**30,216**	32,903
Rental deposits		**27,335**	28,727
Deferred tax assets		**3,531**	3,871
		354,016	357,206
Current assets			
Inventories		**30,060**	32,364
Trade receivables	9	**28,087**	24,011
Prepayments		**71,139**	61,235
Tax recoverable		**–**	5
Other deposits and receivables		**11,560**	13,151
Bank balances and cash		**402,430**	300,544
		543,276	431,310
Current liabilities			
Trade payables	10	**7,109**	5,124
Accruals and other payables		**75,003**	70,713
Receipts in advance		**455,896**	380,087
Secured mortgage loan – due within one year		**3,125**	3,058
Tax payable		**15,046**	12,258
		556,179	471,240
Net current liabilities		**(12,903)**	(39,930)
Total assets less current liabilities		**341,113**	317,276
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**228,852**	202,562
Equity attributable to owners of the Company		**305,247**	278,957
Non-controlling interests		**7,140**	7,153
Total equity		**312,387**	286,110
Non-current liabilities			
Secured mortgage loan – due after one year		**16,375**	19,500
Deferred tax liabilities		**12,351**	11,666
		28,726	31,166
		341,113	317,276

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, 2017, 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, 2016.

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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure Initiative" for the first time in the current year. As regards the structure of the Consolidated Financial Statements, the amendments to HKAS 1 provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The information on capital risk management and financial instruments have been reordered in notes to the Consolidated Financial Statements contained in the annual report of the Company to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the Consolidated Financial Statements.

The application of the other amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current/prior years and/or on the disclosures set out in the Consolidated Financial Statements.

New and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued by the HKICPA but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016[5]

[1] Effective for annual periods beginning on or after 1st January, 2018.

[2] Effective for annual periods beginning on or after 1st January, 2019.

[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, 2017.

[5] Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate.

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 liability, and also classifies cash repayments 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 the 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 those two types of leases differently.

Total operating lease commitments of the Group with terms more than 12 months as at 30th September, 2017 amounting to approximately HK$59,566,000. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will need to perform a more detailed assessment in order to assess to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st October, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Other than the above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**140,527**	154,161	**504,304**	472,662	**–**	–	**644,831**	626,823
Inter-segment sales	**20,284**	24,884	**–**	–	**(20,284)**	(24,884)	**–**	–
Total	**160,811**	179,045	**504,304**	472,662	**(20,284)**	(24,884)	**644,831**	626,823
Segment results	**36,187**	31,607	**114,616**	75,894	**–**	–	**150,803**	107,501
Other income							**8,685**	6,927
Other gains or losses							**(1,482)**	(1,826)
Finance costs							**(455)**	(520)
Central administrative costs							**(71,830)**	(71,146)
Profit before taxation							**85,721**	40,936

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:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**621,060**	605,671
The PRC	**23,771**	21,152
	644,831	626,823

4. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**455**	520

5. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**13,818**	8,901
The PRC Enterprise Income Tax ("EIT")	**1,917**	2,118
(Over) under provision in prior years	**(337)**	775
	15,398	11,794
Deferred taxation	**999**	142
	16,397	11,936

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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% (2016: 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 accordingly.

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,230**	1,193
Amortisation of intangible assets	**115**	205
Write-off of inventories	**–**	951
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**104,990**	111,623
– contingent rents	**2,330**	3,867
and after crediting:		
Interest income on bank deposits	**2,498**	1,264
Interest income on overdue rental income	**409**	–
Rental income from investment properties net of negligible direct operating expenses	**5,296**	5,296

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**69,331**	29,063

	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purposes of basic earnings per share	**763,952,764**	763,952,764
Effect of dilutive potential ordinary shares – share options of the Company	**345,050**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**764,297,814**	763,952,764

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

	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared and paid of 4.0 HK cents (2016: 1.0 HK cent) per share	**30,558**	7,640
Final dividend proposed after the end of the reporting period of 4.0 HK cents (2016: 2.0 HK cents) per share	**30,618**	15,279
	61,176	22,919

The 2017 final dividend of 4.0 HK cents (2016: 2.0 HK cents) per share, amounting to approximately HK$30,618,000 (2016: HK$15,279,000), 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, 2017 were approximately HK$45,837,000 (2016: HK$26,739,000).

9. TRADE RECEIVABLES

The Group generally allows its trade debtors' credit terms of 30 days to 120 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**28,026**	23,940
61 days to 90 days	**2**	–
91 days to 120 days	**–**	11
Over 120 days	**59**	60
	28,087	24,011

Movement in the allowance for trade receivables:

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning and end of the year	**589**	589

10. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**7,109**	5,124

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, 2017 ("the year"), the Group achieved a strong and steady performance across both halves of the year. Through a combination of bold marketing initiatives, careful cost management, and the introduction of a series of new beauty services, equipment and products, it saw a rise in profit for the year of more than 100% year-on-year, a remarkable performance in an economic environment in Hong Kong which remains far from robust. These results were achieved on a rise of turnover of 2.9%, an improved gross profit margin as well as savings made on Group's major expenditures.

The Group's gross profit margin rose to 91.9%, being one percentage point higher than for 2016. The rise in the gross profit margin was linked to a further change in the sales mix for the year. The Group's high margin beauty services' contribution to the sales mix rose to 78.2% for the year while the retail contribution dropped to 21.8%, compared with 75.4% and 24.6% respectively last year. Basic earnings per share for the year amounted to 9.1 HK cents (2016: 3.8 HK cents).

The Group continued its efficient approach to cost controls, which in recent years has seen it closing down under-performing outlets wherever necessary. During the year, it closed four non-profitable outlets (one H2O+ outlet, two Oasis Beauty outlets, and one Oasis Homme outlet). It also benefited from a more flexible rental market. Although Hong Kong rents remain very high, this year there has been considerably more room for maneuver when renegotiating rental agreements than there has been for some time in the past. The Group was therefore able to negotiate rental reductions upon its renewal of leased premises for certain outlets in Hong Kong and Macau. Rental costs as a percentage of turnover consequently fell below 20% for the 2017 financial year (2016: 22%). Another area of savings arose from lower depreciation costs for the year, partly as a direct result of the Group opening fewer new outlets and thus lowering related capex.

Other significant savings have been made in advertising. The Group's annual advertising costs actually fell by over 40% when compared with that of previous year, but this dramatic fall does not represent a fall-off in advertising activity. Rather, much effort was put into redirecting some of the Group's marketing campaigns from expensive print to lower-cost digital formats and platforms, in an effort to follow larger market trends and explore new ways of penetrating the market more efficiently. Not only have many of these efforts cost considerably less than traditional print marketing, they are also proving highly effective in unlocking new target markets and attracting new customers.

Although the Group's staff costs to turnover percentage only dropped minimally for the year (from 45.7% to 44.3% to turnover), the raw figures disguise a more significant shift. The closure of 4 outlets during the year naturally reduced overall staff count, but in fact the Group does not see paring staff to the minimum as the best strategy in its industry. Especially in its beauty services business, the quality of customer care is a vital part of the Group's brand image, and having competent, well-qualified and unrushed staff who can ensure customers come away satisfied is an important goal. As a result, in fact the Group increased its staff head count to improve customer experience, employing more service staff in its beauty outlets and more doctors in its Oasis Medical Centres.

The Group's bank balances and cash levels as at 30th September, 2017 stood at approximately HK$402.4 million. Its current ratio was 1:1 and its debt-equity ratio was 6.2%. The board of directors has recommended the payment of a final dividend of 4.0 HK cents per share, bringing the full-year dividend to 8.0 HK cents (2016: 3.0 HK cents) per share.

BUSINESS REVIEW

SERVICES

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, and an online florist business, Oasis Florist.

In the past year, the Group has been very active in enhancing and expanding its online and digital presence for these businesses. One of the most important initiatives was the mobile apps developed and launched for each of its Oasis Beauty, Oasis Spa and Oasis Medical Centre segments. A primary purpose of these apps is to enable 24-hour bookings for services and to simplify the booking process, thus increasing customer convenience and encouraging greater self-service. The Group believes itself to be very useful to our customers in developing these apps, and customer response has been very positive.

Oasis Beauty and Oasis Spa

For the year under review, both the Group's Oasis Beauty and Oasis Spa businesses in Hong Kong experienced growth, leading to an overall increase in turnover for this segment of 7.5% year-on-year.

Growth was driven by a number of new treatments, services and equipment introduced throughout the year. In the year under review, the Group's Korean 22-acupoint rejuvenating treatment campaign drove a new wave of sales, while later in the year the Group announced the introduction of important new TriPower Slimax (Body) equipment at its Oasis Beauty centres. This significant investment in new beauty equipment was part of its strategy to ensure its outlets are up to date and offer services that cannot easily be reproduced elsewhere in Hong Kong.

At year end, the Group was operating a total of 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme outlets), together with three self-managed Oasis Beauty centres in Beijing. There were a further three high-end Oasis Spa centres. Another Oasis Beauty Store in Macau continued to operate.

Oasis Medical Centre

The Group's 6 Oasis Medical Centres in Hong Kong continued to perform well, posting a growth of 9.8% in turnover when compared with that of last year.

An important milestone for Oasis Medical Centre was the introduction in late 2016 of new Duet Thermalshape equipment, which offered customers new techniques for enhancing body shape. This was followed up by the launch of HIFU-V facial treatment in 2017, catering for the popular enthusiasm for a 'v-shaped' face among Hong Kong women, which offers a number of related treatments to enhance facial features. The year 2017 marks the tenth anniversary of Oasis Medical Centre, one of the Group's most successful ventures, and in September a 10th Anniversary campaign was kicked off to highlight and promote the segment further.

Glycel

The Group's self-owned Glycel brand, covering beauty treatment services and related products originating from Switzerland, performed well during the year, achieving sales growth of approximately 1.7% year-on-year. This performance was achieved on the back of a series of new Glycel products and treatments being rolled out across the year, including Hydro Firm Skin Perfection Eye Cream, White Ice Bio Cellulose Whitening Mask, Skin Blossom Rejuvenation Deluxe Facial Treatment, ComFit 4D Slimming Treatment, Golden Deluxe Collagen Extra Eye Care, Hydro Spa Treatment and Micellar Purify Cleansing Water. All these new products and treatments were widely promoted through both traditional and digital media, resulting in good take-up.

During the year, the number of Glycel outlets remained steady at 13 in Hong Kong. A further Glycel outlet operates in Macau.

RETAIL

Erno Laszlo

The number of Erno Laszlo outlets remained at 5 throughout the year. The brand maintained a good profile with the launch of several new high-end cleansing and whitening products throughout the year under the catchy taglines 'The Power of 2' and 'you. but better.'. Various promotional activities were also carried out in celebration of the brand's 90th anniversary.

Eurobeauté and DermaSynergy

New Eurobeauté products introduced during the year generated enthusiasm among users, leading to strong growth in product sales of this self-owned brand of the Group. The brand's product range has been developed to the point where it now offers a full complement of high quality skincare solutions for customers with different skincare needs. These products are sold in the Group's spas and beauty centres, and also in two retail outlets.

The Group's own brand DermaSynergy products, extensively used as part of various Oasis Medical Centre treatments, are also sold at its outlets directly to consumers. The Group intends to focus the brand so that it specialises in high quality and high margin post-treatment products that offer direct follow-ups to the Oasis Medical Centre programmes undergone by customers. In this way, the DermaSynergy product range will become more closely tied to its medical beauty profile.

H2O+

One under-performing H2O+ outlet was closed during the year, bringing the total number of H2O+ outlets in Hong Kong to five. The reduction in the number of outlets was reflected in an associated fall in turnover for the brand for the year.

Prospects

The strong momentum built up by the Group over the past year is expected to continue in the year ahead, as it continues to enhance its digital credentials as well as introduce new products and equipment. It is also exploring possible new sales channels with the potential for expanding its market outside Hong Kong.

The Group's new online sales platform, which sells beauty products specifically targeted at younger users, was launched earlier in 2017 and is still in the process of establishing itself. Through it, the Group has been able to target a younger set of customers than it has traditionally been associated with. This new interest of potential customers in their twenties and even teens is also being stimulated by the Group's increasing use of social media platforms such as Facebook to promote its products and services, and in fact the age range of customers is widening even for its traditional brands.

One major focus over the coming year will be to enhance the richness of its digital engagement with consumers, in terms of widening its online presence, increasing the level of digital marketing initiatives and improving their targeting, and engaging more closely with KOLs. An example of this move can already be seen in the Group's online advertisement video clip, recently launched in November 2017 on the popular 100 Most social media platform, for its Tripower Intensive Face Lifting Treatment. Another example is Glycel's new product range The Line, which is being marketed to target customers in their late 20s and early 30s.

Apart from these new initiatives to enhance its future business performance, the Group is continuing to place emphasis on bringing its customers new and advanced beauty technologies at its medical beauty centres and beauty salons by purchasing the latest beauty equipment from all over the world. In association with this, the Group is continuing to enhance its professional teams, including its doctors and service staff, in order to ensure its high-level service standards are maintained and enriched.

In summary, the Group has a strong pipeline of services and products in place, a successful and expanding digital marketing strategy, and an ever-increasing data analytics capacity which is helping it make better decisions about how to allocate its resources. All three of these strengths combined well in 2017 to deliver an excellent performance. The Group anticipates continuing to focus its resources and strengths so as to continue in the same vein in the year ahead.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2017 amounted to approximately HK$402.4 million (2016: HK$300.5 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2017, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$312.4 million (2016: HK$286.1 million), was approximately 6.2% (2016: 7.9%).

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, 2017.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2017, the Group employed 752 staff (as at 30th September, 2016: 741 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 4.0 HK cents per share for the year ended 30th September, 2017. 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 (the "Register of Members") at the close of business on Wednesday, 21st February, 2018.

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, 6th February, 2018 to Friday, 9th February 2018, 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 Monday, 5th February, 2018.

(ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Tuesday, 20th February, 2018 and Wednesday, 21st February, 2018, 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 Thursday, 15th February, 2018. The relevant dividend warrants will be dispatched to shareholders on Thursday, 8th March, 2018.

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, 2017 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, 2017.

Other than the 15,000,000 share options granted by the Company during the year, 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, 2017.

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, 2017.

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, 2017.

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, 2017 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, 2017

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.