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, 2019

FINANCIAL HIGHLIGHTS

- Group's turnover for the year increased by 7.9% to approximately HK$764.0 million when compared with that of last year, the increase was mainly contributed by the beauty service segment.

- The Group's sales mix further rose to approximately 81.8% in beauty services and 18.2% in product sales, comparing to 79.2% and 20.8% with that of last year.

- Gross profit margin for the year further increased to approximately 92.6% from 92.4% of last year due to higher service segment contribution.

- For the year under review, advertising costs were decreased by 16.0% when comparing to last financial year due to better deployment of resources from large scale physical marketing campaigns to more targeted online digital campaigns and social media platforms. Rental costs were maintained at a stable level with a lower percentage to turnover when compared with that of last year. This was explained by the combined net effect of better rental renewal terms on renewal as well as some new outlets openings and closures. Staff costs and depreciation were increased by 7.9% and 68.4% respectively due to increased headcount on newly opened outlets and existing beauty centres to improve overall service quality, whereas higher depreciation costs were due to additions of new beauty equipment, renovation of existing beauty salons and the fitting out of new openings.

- Profit for the year amounted to HK$107.4 million, representing an increase of 12.9% over the last year.

- The Group has purchased a unit in Parklane Square in this financial year which is part of our existing Oasis Beauty centre located in Tuen Mun and was completed in April 2019.

- The Group retained a strong and robust cash position with balance of approximately HK$385.6 million as at 30th September, 2019.

- Recommend the payment of a final dividend of 7.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- In the year under review, all beauty services brands sales performed well within the Group including Oasis Beauty (both Hong Kong and PRC), Oasis Spa, Oasis Medical Centre as well as Glycel, ranging from single to double-digit growth when comparing with that of last year. Among these brands, Glycel and Oasis Spa in Hong Kong as well as the three Oasis Beauty centres located in PRC had recorded a double-digit growth in turnover. In addition, Oasis Beauty Store and salon in Macau had also recorded good performance which was opened in September 2018.

- Three new beauty centres located in Parklane Sqaure Tuen Mun; Kornhill Plaza Taikoo Shing and Kwong Wah Plaza Yuen Long were opened under the brand name of Glycel. The two outlets in Kornhill Plaza and Kwong Wah Plaza have Oasis Medical Centres operating side by side with Glycel tapping on new locations with good customer flow.

- The Group has launched its new Oasis Hair Spa in August 2019, providing hair and scalp spa service targeting on a new range of customers and the performance was encouraging.

- At financial year end, the Group operated a total of 44 spa, beauty and medical centres in Hong Kong, PRC and Macau.

Product Sales Business

- Product sales of H2O+, Erno Laszlo, Eurobeauté and DermaSynergy all showed a decrease in turnover partly due to the closure of unprofitable outlets as well as the softening in the retail market while products sales in Glycel still recorded a double-digit growth when compared with that of last year.

- A new Glycel and Erno Laszlo outlets were opened in the newly renovated New Town Plaza Phase III in Shatin in early November 2019.

- As at 30 September, 2019, the Group operated a total of 13 retail outlets in Hong Kong and Macau.

Outlook

- The Group will continue to leverage its proven strengths to further consolidate its reputation in the market as a leading beauty services provider offering a wide range of trusted, efficacious treatments, delivered by expert staff to customers in relaxing and comfortable environment.

- Despite the recent social movements in Hong Kong still remains unresolved causing significant disruptions to purchasing motive of customers and travelers coming to Hong Kong, the Group's realignment towards beauty services and away from product sales as well as the direct focus on local consumers had less affected by the fall in visitors. In addition, with greater emphasis on building online presence and e-commerce options, investing in new equipment and treatment as well as prudent cost control, the Group is confident that it can continue to deliver.

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, 2019 (the "Consolidated Financial Statements") as follows:

Consolidated Statement of Profit or Loss

		For the year ended 30th September,	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**763,981**	708,360
Purchases and changes in inventories of finished goods		**(56,662)**	(54,044)
Other income		**9,123**	8,575
Other gains or losses		**(1,575)**	2,524
Staff costs		**(325,055)**	(301,282)
Depreciation of property and equipment		**(27,932)**	(16,590)
Finance costs	4	**(339)**	(389)
Other expenses		**(230,934)**	(231,553)
Profit before taxation		**130,607**	115,601
Taxation	5	**(23,248)**	(20,490)
Profit for the year	6	**107,359**	95,111
Profit (loss) for the year attributable to:			
Owners of the Company		**107,690**	95,238
Non-controlling interests		**(331)**	(127)
		107,359	95,111
Earnings per share			
Basic	7	**15.8 HK cents**	12.8 HK cents
Diluted	7	**15.8 HK cents**	12.8 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 30th September,	
	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**107,359**	95,111
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,192)**	(806)
Total comprehensive income for the year	**106,167**	94,305
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**106,482**	94,411
Non-controlling interests	**(315)**	(106)
	106,167	94,305

Consolidated Statement of Financial Position

	Notes	As at 30th September, 2019 HK$'000	2018 HK$'000
Non-current assets			
Intangible assets		**59,041**	59,162
Goodwill		**3,012**	3,012
Investment properties		**233,966**	233,604
Property and equipment		**112,271**	76,287
Rental deposits		**29,248**	27,160
Deferred tax assets		**9,603**	4,103
		447,141	403,328
Current assets			
Inventories		**39,182**	36,903
Trade receivables	9	**29,818**	28,677
Contract costs		**49,989**	–
Prepayments		**10,930**	82,933
Other deposits and receivables		**10,834**	10,836
Tax recoverable		**74**	–
Bank balances and cash		**385,580**	376,571
		526,407	535,920
Current liabilities			
Trade payables	10	**7,322**	7,059
Accruals, other payables and provisions		**83,116**	74,152
Receipts in advance		**–**	516,196
Contract liabilities		**544,496**	–
Secured mortgage loan – due within one year		**3,525**	3,446
Tax payable		**26,272**	23,362
		664,731	624,215
Net current liabilities		**(138,324)**	(88,295)
Total assets less current liabilities		**308,817**	315,033
Capital and reserves			
Share capital		**68,055**	67,945
Reserves		**210,017**	213,762
Equity attributable to owners of the Company		**278,072**	281,707
Non-controlling interests		**6,961**	7,034
Total equity		**285,033**	288,741
Non-current liabilities			
Secured mortgage loan – due after one year		**9,934**	13,191
Deferred tax liabilities		**13,850**	13,101
		23,784	26,292
		308,817	315,033

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, 2019, 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, 2018.

New and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the consolidated financial statements.

HKFRS 15 “Revenue from Contracts with Customers”

The Group had applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group had applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st October, 2018. Any difference at the date of initial application would be recognised in the opening retained profits and comparative information would not be restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group had elected to apply the standard retrospectively only to contracts that were not completed at 1st October, 2018. Accordingly, certain comparative information might not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of skincare products
- Provision of services in beauty salons, spas, medical beauty centres and other businesses

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1st October, 2018.

	Note	**Impact of adopting HKFRS 15 at 1st October, 2018** ***HK$’000***
Retained profits		
Deferred expenses not being recognised as contract costs	(a)	(22,700)
Tax effects		3,372
Impact at 1st October, 2018		(19,328)

The following adjustments were recognised in the consolidated statement of financial position at 1st October, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30th September, 2018	Adjustments	Carrying amounts under HKFRS 15 at 1st October, 2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Deferred tax assets	4,103	3,066	7,169
Current assets			
Prepayments (note (a))	82,933	(70,961)	11,972
Contract costs (note (a))	–	48,261	48,261
Current liabilities			
Receipts in advance (note (b))	516,196	(516,196)	–
Accruals, other payables and provisions (note (b))	74,152	2,133	76,285
Contract liabilities (note (b))	–	514,063	514,063
Capital and reserves			
Reserves (note (a))	213,762	(19,328)	194,434
Non-current liability			
Deferred tax liabilities	13,101	(306)	12,795

Notes:

(a) At the date of initial application, prepayments of approximately HK$48,261,000 were reclassified to contract costs. Deferred expenses previously included in prepayments that were not recognised as contract costs on application of HKFRS 15 of approximately HK$22,700,000 were adjusted with corresponding adjustment to retained profits.

(b) At the date of initial application, receipts in advance of approximately HK$514,063,000 and HK$2,133,000 were reclassified to contract liabilities and accruals, other payables and provisions respectively.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019

2 Effective for annual periods beginning on or after 1st January, 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1st January, 2020.

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 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 services in beauty salons, spas, medical beauty centres and other businesses

Disaggregation of revenue from contracts with customers

Turnover recognised during the year are as follows:

	2019		
	Product segment *HK$'000*	**Service segment** *HK$'000*	**Total** *HK$'000*
Time of revenue recognition			
At a point of time	**139,132**	**–**	**139,132**
Over time	**–**	**624,849**	**624,849**
	139,132	**624,849**	**763,981**

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

	Product segment		Service segment		Elimination		Consolidated	
	2019 *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*
Sales to external customers	**139,132**	147,462	**624,849**	560,898	**–**	–	**763,981**	708,360
Inter-segment sales	**21,108**	22,803	**–**	–	**(21,108)**	(22,803)	**–**	–
Total	**160,240**	170,265	**624,849**	560,898	**(21,108)**	(22,803)	**763,981**	708,360
Segment results	**32,358**	39,936	**174,720**	147,878	**–**	–	**207,078**	187,814
Other income							**9,123**	8,575
Other gains or losses							**(1,575)**	2,524
Finance costs							**(339)**	(389)
Central administrative costs							**(83,680)**	(82,923)
Profit before taxation							**130,607**	115,601

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:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong and Macau	**733,471**	684,117
The PRC	**30,510**	24,243
	763,981	708,360

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**339**	389

5. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**19,998**	18,152
The PRC Enterprise Income Tax ("EIT")	**4,945**	2,802
Over provision in prior years	**(248)**	(638)
	24,695	20,316
Deferred taxation	**(1,447)**	174
	23,248	20,490

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The PRC EIT was calculated at the statutory income tax rate of 25% (2018: 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 profit for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

6. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,506**	1,281
Amortisation of intangible assets	**115**	115
Bank charges	**34,041**	29,282
Marketing expenses	**24,248**	29,595
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**101,925**	103,229
– contingent rents	**3,428**	3,397
and after crediting:		
Interest income on bank deposits	**5,480**	4,012
Rental income from investment properties net of negligible direct operating expenses	**3,134**	4,176

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:

	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**107,690**	95,238

	Number of shares	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**680,333,860**	741,214,408
Effect of dilutive potential ordinary shares – share options of the Company	**429,241**	109,713
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**680,763,101**	741,324,121

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of 8.0 HK cents (2018: 3.0 HK cents) per share	**54,444**	20,384
Final dividend proposed after the end of the reporting period of 7.0 HK cents (2018: 5.5 HK cents) per share	**47,639**	37,430
	102,083	57,814

The 2019 final dividend of 7.0 HK cents (2018: 5.5 HK cents) per share, amounting to approximately HK$47,639,000 (2018: HK$37,430,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the annual general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2019 were approximately HK$91,874,000 (2018: HK$51,002,000).

9. TRADE RECEIVABLES

The Group generally allows its trade debtors' credit terms of 30 days to 150 days. The following is an aging analysis of trade receivables, net of allowances for credit losses/bad and doubtful debts, presented based on the payment due dates, at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Not due to 30 days	**29,803**	28,654
Over 150 days	**15**	23
	29,818	28,677

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:

	2019	2018
	HK$'000	*HK$'000*
Not due to 30 days	**7,322**	7,059

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.

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, 2019 ("the year"), the Group delivered a satisfying positive performance within a very challenging macro environment. This performance, which bucks the trend of many other service and retail providers in Hong Kong over the period, bears witness to management's careful strategic development initiatives of the past few years. These have involved placing an increasing focus on the service side, making a strong shift into digital marketing, and maintaining a steady commitment to investment in new equipment and treatments. As a result, the Group has gained a competitive edge and has built a loyal and steadily growing customer base even in the current weak spending environment.

As a result, turnover for the year rose by 7.9%. At the same time the Group's gross profit margin further improved, reaching 92.6% against 92.4% last year. Profit for the year amounted to HK$107.4 million, a rise of 12.9% over 2018. A primary driver behind these improvements was an ongoing shift in the ratio of product and service business. This ratio now stands at 18.2% (product) against 81.8% (service), from 20.8% and 79.2% a year ago. Basic earnings per share for the year amounted to 15.8 HK cents (2018: 12.8 HK cents).

The Group's traditional expertise in managing costs without compromising service was exercised in the year. In the important sphere of advertising, it continued its trend away from large-scale physical marketing campaigns in favour of more targeted online and digital campaigns utilising social media platforms. Not only were these campaigns highly effective in reaching new target groups, they also reduced the Group's advertising expenses, which fell by 16.0% compared with 2018 as well as reducing to just 2.9% as a percentage to revenue, against 3.8% previously.

Meanwhile, rental costs were maintained at a stable level, partly due to the store closures made during the year, and partly due to better rental renewal terms. As a percentage of turnover, rental costs fell to 16.6% from 17.8% the previous year. Offsetting these closures, the Group opened three new Glycel outlets in the year (Parklane Square in Tuen Mun, Kornhill Plaza in Taikoo Shing, and Kwong Wah Plaza in Yuen Long). The Glycel outlets in Kornhill Plaza and Kwong Wah Plaza also each incorporate a new Oasis Medical Centre, bringing the number of Glycel outlets in Hong Kong up to 17 at year-end (from 15 a year earlier), and the number of Oasis Medical Centres to 8 (from 6 a year earlier). Overall, at year-end the Group had a total of 57 outlets in operation, up from 55 at the same time last year.

Staff costs rose in the year. This was partly due to the recruitment of new staff for newly opened stores, and partly as a direct result of the Group's deliberate strategy to further enhance customers' beauty experience by increasing the ratio of staff to customers in its beauty service centres. In total, staff numbers rose to 824 as at 30th September, 2019, against 764 a year earlier. Staff costs rose accordingly, by 7.9% year-on-year, although this was offset by improvements in performance that meant staff costs remained at 42.5% of revenue, the same as last year.

Depreciation was one area that showed a significant rise year-on-year, by 68.4% (rising to 3.7% as a percentage of turnover, against 2.3% in 2018). Depreciation costs were directly related to the Group's proven long-term strategy of equipment upgrade and beauty centre enhancement. This has not slowed in 2019 despite the negative environment, and as a result the Group remains at the cutting edge in terms of the advanced equipment and latest technology it is able to offer across its beauty centres.

The Group's bank balances and cash reserves as at 30th September, 2019 amounted to approximately HK$385.6 million. Its current ratio was 0.8:1 and its debt-equity ratio was 4.7%. 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 15.0 HK cents per share (2018: 8.5 HK cents).

BUSINESS REVIEW

BEAUTY SERVICES

OASIS Portfolio

The Group operates a number of different but related beauty services under a single brand profile, the OASIS portfolio. These include its core beauty services businesses Oasis Beauty and Oasis Spa, together with its professional medical beauty specialist Oasis Medical Centre. Other OASIS-branded business segments include Oasis Homme and Oasis Florist. During the year, the Group introduced a new Oasis service, Oasis Hair Spa, operating in one of the Oasis Homme centres. The service delivers hair growth and improvement treatments for both men and women.

All the Group's major OASIS-branded businesses performed well in the year to achieve year-on-year growth. A standout performer was Oasis Spa, which continued to generate strong demand and attract new customers. In the PRC, the Group's three self-managed Oasis Beauty centres in Beijing also delivered excellent performances, driven by new equipment and a strengthening reputation as a premium service provider, supplemented by astute offers and targeted social media campaigns.

Across the OASIS operations, new standout treatments were introduced that maintained steady customer demand throughout the year. New Ginger Body Contouring and Detox and Ginger Massage Slimming Treatments introduced proved very popular, and a series of LipoBurn Body treatments launched in August 2019 have also met with a good response. In Oasis Medical Centres, new Thermage FLX treatments were supplemented in June 2019 by 3D Diamond Eye Rejuvenation Treatment. As mentioned above, the recent launch of a new Oasis Hair Spa service has introduced a raft of valuable treatments focused on the hair and scalp, opening up a new range of target customers for the Group.

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 centres), together with three self-managed Oasis Beauty centres in Beijing. There were a further three high-end Oasis Spa centres in operation. A further Oasis Beauty Store and salon operates in Macau.

Oasis Medical Centre

In response to strong customer demand for the Group's range of medical beauty services, the Group opened an additional two Oasis Medical Centres during the year, bringing the number in operation to eight as at 30th September, 2019. This segment delivered steady year-on-year growth of 7.5%. New technologies and treatments introduced in the year included V-liner equipment to reduce facial lines, Thermage FLX equipment for firming, Profhilo anti-aging treatment, and 3-D Eye Contour technology.

Glycel

The Group's self-owned Glycel brand provides beauty treatment services under its Glycel 'Skinspa' brand, and related beauty products. Strong turnover growth of 19.1% was recorded for the brand during the year, reflecting both its overall quality and the high level of investment the Group has made in it, including the very successful adoption of celebrity Christine Kuo as the face of Glycel.

Part of the Group's Glycel strategy is to continuously enrich and expand the range of products and services associated with the brand. In the year, this has included the launch of a range of new 'G-Power' meridian massage and slimming therapy treatments, H2 Power Jet technology to deliver a range of H2 Flawless treatments, along with products such as a new Hydro Firm Super-Collagen Power Mask and The Eye Serum.

The quality and innovation associated with Glycel services and products has driven strong growth since the brand's acquisition, pushing up growth even in the year under review despite the serious disruptions that Hong Kong has experienced. This popularity prompted the Group to open three new Glycel outlets in the year, bringing the total store network in Hong Kong to 17, with a further Glycel outlet operating in Macau.

PRODUCT SALES

Erno Laszlo

The social disturbances of the second half of the year have had an impact on the performance of this brand, due to its traditional popularity among Mainland visitors. The fall-off in tourists arriving from the Mainland was partly responsible for a drop in sales of 4.5% year-on-year. In addition, the closure of one Erno Laszlo branch at Festival Walk reduced the exposure of the brand while a new Erno Laszlo outlet in Shatin New Town Plaza was opened in November 2019. At year end, therefore, the number of Erno Laszlo branches operating had fallen to four, from five the previous year.

Eurobeauté and DermaSynergy

The Eurobeauté brand includes a range of products used in and sold to customers at the Group's spas and beauty centres. DermaSynergy represents another of the Group's self-owned brands that offers various skincare and related beauty products for consumers, mostly sold at Oasis Medical Centres. In the year, the challenging retail environment of the second half saw these two brands experience sales reductions of 19.9% and 16.3% respectively.

Water Juicery

In January 2019, the Group acquired the "Water Juicery" brand, an established operation offering freshly made cold-pressed juice drinks with health and beauty benefits for online ordering. With a customer base already in place and a dedicated website operating, the Group expected to create a synergy effect on its operations in overall.

H2O+

The Group has continued to represent this longstanding US skincare brand in Hong Kong. In line with local conditions, sales fell by 40.6% year-on-year, partly as a result of the Group's decision to close an underperforming H2O+ outlet during the year.

Prospects

At the time of writing, the social movement in Hong Kong remains unresolved and the city continues to experience significant disruptions to daily life. This has had a significant effect on many retailers across the spectrum, as shopping patterns and habits have changed. The Group recognises that the longer this situation continues, the more impact it may have on its own operations.

Nevertheless, the Group's strategic business model gives it quiet confidence in its ability to weather any storm and continue to attract steady customers. Its realignment towards service and away from product, and its direct focus on local (Hong Kong) consumers, both mean that it has been much less affected by the fall in visitor numbers to Hong Kong of the past few months, and the reduction in shopping among residents. Although some of the Group's beauty service users are adjusting the timing of their treatments, demand for beauty services remains strong and the Group is in a good position to nurture that demand going forward.

To do so, the Group intends to place even greater emphasis on further building its online presence and e-commerce options. This covers marketing, customer engagement and booking, and online product sales. It plans to devote more resources to enhancing its existing social media presence and boosting its online advertising and marketing tools. At the same time, it is working to simplify the customer registration process, making it easier for new customers to sign up online while also giving its data analysts access to valuable new data on customer trends and profiles.

As for e-commerce, the Group has already noted that its online payments rose by 156% year-on-year, signalling a major new sales channel that awaits further development. In the year ahead it will further enhance the e-shopping capabilities on the websites of its brands Glycel, Eurobeauté and Erno Laszlo. The online-only brand O~KO!beauty will also be supported further, delivering high quality lower-cost beauty products directly to younger users.

One side-effect of the social unrest has been a softening in market rents, and the Group will look to negotiate further with landlords as lease renewals arise to continue to keep rental costs under tight control. In terms of staff numbers, the Group remains committed to retaining a high staff-customer ratio and supporting its staff through challenging times. Its goal is to try to retain existing staff and to add new expertise where appropriate.

The strong performance this year of the Group's Oasis Beauty centres in Beijing has prompted the Group to continue its search for other locations in that city that might be suitable for its Oasis Beauty services. It is also looking across the border to the southern part of the PRC for similar potential locations.

After such a promising performance across a difficult year, the Group has every reason to be quietly confident about prospects for the year ahead. Its focus for repeating this level of performance will be on maintaining the management excellence that has brought it so far; nurturing its loyal customers who have supported the Group through thick and thin; and continuing its strategic direction towards a service-oriented business offering high-value services for both men and women. Its tactical moves to do this will include balancing prudent cost-controls against steady investment in new treatments and new equipment.

In summary, the Group sees a year ahead in which it will continue to leverage its proven strengths to further consolidate its reputation in the market as a leading beauty services provider that offers a wide range of trusted, efficacious treatments, delivered by expert staff in relaxing and comfortable environments. In today's fast-paced and sometimes stressful world, it is believed this level of service excellence has a place that will always be in demand. With the support of stakeholders across the spectrum, the Group is confident it can continue to deliver.

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, 2019 amounted to approximately HK$385.6 million (2018: HK$376.6 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2019, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$285.0 million (2018: HK$288.7 million), was approximately 4.7% (2018: 5.8%).

The Group continues to follow the practice of prudent cash management. The Group has acceptable level of exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territories. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 30th September, 2019.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2019, the Group employed 824 staff (as at 30th September, 2018: 764 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

The remuneration policy for the directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the directors and senior management members.

The Group is committed to nurturing a learning culture in the organisation. Heavy emphasis is placed on training and development, as the Group's success is dependent on the effort of a skilled and motivated work force.

FINAL DIVIDEND

The Board has proposed a final dividend of 7.0 HK cents per share for the year ended 30th September, 2019. 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 Tuesday, 18th February, 2020.

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 Thursday, 6th February, 2020 to Tuesday, 11th February, 2020, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5th February, 2020.

(ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Monday, 17th February, 2020 and Tuesday, 18th February, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14th February, 2020. The relevant dividend warrants will be dispatched to shareholders on Wednesday, 4th March, 2020.

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, 2019 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

During the year ended 30th September, 2019, the Company did not redeem any of the listed securities of the Company nor did the Company or its subsidiaries purchase or sell any such securities.

Neither the Company nor its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any rights in relation to convertible securities, options, warrants or similar rights during the year ended 30th September, 2019.

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, 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the year ended 30th September, 2019.

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, 2019 will be dispatched to the shareholders and published on the HKEx's and the Company's websites in due course.

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

Hong Kong, 13th December, 2019

As at the date of this announcement, the executive directors of the Company are Mr. Yu Kam Shui, Erastus, Mr. Tam Siu Kei, Ms. Yu Lai Chu, Eileen and Ms. Lai Yin Ping. The independent non-executive directors of the Company are Prof. Wong Lung Tak, Patrick, B.B.S., J.P., Mr. Wong Chun Nam, Duffy, B.B.S., J.P. and Dr. Wong Chi Keung.