


# Management Discussion and Analysis

Overall, the year ended 30th September, 2021 was a very positive one for the Group despite the ongoing impact of the COVID-19 pandemic throughout the year. The restoration in consumer confidence in the second half saw the Group's sales increase, especially in beauty service, and all the Group's service brands performed healthily. Consequently, the Group's consolidated revenue rose by 56.2% compared with its revenue for the year ended 30th September, 2020. This significant increase in sales reflects the major lift in customer usage and spending over the year, and the changing mood in Hong Kong as widespread consumer confidence has returned.

The consolidated gross profit ("GP") margin for the Group rose year on year, from 90.5% to 92.2%, as a result of an increasing predominance of higher-margin beauty services in the sales mix – with its beauty services moving to 84.9% of the sales mix as against 77.8% last year. Apart from the increased contribution on increased GP margin, the impressive sales increase mentioned above had driven the total profit for the year to a historical high level of HK\$170.0 million, against HK\$27.5 million for 2020.

The Group managed to keep its core costs as a percentage of revenue stable for the year. Advertising expenditure rose somewhat, from 1.7% to 2.2%. This rise reflected the Group's efforts to promote the new products and services that were launched in the year, the most important of which are described in the relevant brand sections below. However, rental costs fell as a percentage of revenue, from 22.5% last year to 16.3%, as the leasing environment eased and the Group was able to negotiate improved deals for its rental renewals. Staff costs as a percentage to revenue also fell, from 44.1% last year to 36.8% this year. As previously reported, this was due to periods of no-pay leave taken by staff in the first half of the year when anti-pandemic measures were in place, and the Employment Support Scheme subsidy received from the Government for qualified staff.

Although the total number of Water Oasis stores and outlets remained the same at the end of the year (61) as compared with that of last year, this disguises some significant changes in the make-up and distribution of individual stores. One major change involved the relocation of the Glycel outlet in the Festival Walk shopping mall. This store, originally of 1,600 sq. ft., moved in June 2021 to a very spacious 6,000 sq. ft. location in the same mall, which it now shares with a new Oasis Medical Centre. This has raised the number of Oasis Medical Centres operating in Hong Kong from 8 to 9. Elsewhere, in September 2021 the Glycel outlet in the Entertainment Building in Central Hong Kong was relocated from the 26th to the 17th floor, a move which involved almost doubling the floor area, from 2,440 sq. ft. to 4,637 sq. ft.. At the same time, the Oasis Beauty branch in Century Square was relocated to the 26th floor of the Entertainment Building to replace the Glycel outlet there, increasing its floor area from 1,408 sq. ft. to 2,440 sq. ft.. These changes have significantly expanded the Group's overall exposure in terms of store area.



Earlier, in November 2020, the Group opened a new Glycel outlet in The LOHAS, an upmarket shopping mall in the up-and-coming Tseung Kwan O area of eastern Hong Kong. Also in Tseung Kwan O, in July 2021 a substantial new Oasis Beauty outlet entered operation in the prestigious Park Central mall. A more recent new opening in November 2021, after the end of the year under review, was of a new Oasis Medical branch in The LOHAS in association with the existing Glycel store there.

These openings were offset in the year by the closures of three small stores. One was the Erno Laszlo outlet in Beauty Avenue in Langham Place, the result of Beauty Avenue deciding not to renew its lease with Langham Place upon its expiry. The other closures were of two small Glycel counters in underperforming Nuance duty-free locations, one in Hong Kong and one in Macau.

With its acquisition of Millistrong in June 2021, the Group has added a new network of outlets carrying Millistrong's beauty products and services. At year-end, these included 8 product retail stores for two brands in Hong Kong, one retail store in the PRC, 5 spa outlets in Hong Kong, and one medical beauty outlet.

Capex for the year more than doubled from last year's HK\$23.3 million, rising to HK\$51.4 million. This was mainly due to spending on the major new store openings described above, in Festival Walk, The LOHAS and Park Central. Significant resources were also devoted to purchasing the latest and best equipment for use in the Group's spa and medical beauty treatments.

The Group finished the year with a total staff count of 968, up from 775 last year. This rise included the acquisition of 152 new staff as part of the Millistrong acquisition, along with 41 new staff associated with new stores opening under Water Oasis.

The Group's bank balances and cash reserves as at 30th September, 2021 amounted to approximately HK\$369.7 million. Its current ratio was 0.7:1 and its gearing ratio was 1.8%. The board of directors recommend the payment of a final dividend of 16.5 HK cents per share, making the full-year dividend 22.0 HK cents (2020: 6.0 HK cents) per share.

# Business Review

## Beauty Services

### OASIS Portfolio

The Group's Oasis portfolio brings together a number of closely related beauty services under the Oasis brand profile. These include the core services businesses Oasis Beauty and Oasis Spa, the professional medical beauty specialist Oasis Medical Centre, and various smaller supplementary services, namely Oasis Homme, Oasis Hair Spa, Oasis Mom and Oasis Florist.

In a rapidly recovering local environment, all the Group's Oasis beauty services brands performed strongly in the year, with all except for the Macau Oasis Beauty Store achieving double-digit growth year on year.

A new Salus Talent treatment was rolled out in Oasis Beauty from February 2021 onwards. This treatment uses non-contact electromagnetic field technology to generate a "turbo-current" cycle that stimulates the motor neurons of the muscles and provides a high-intensity workout, and is effective in achieving overhead muscle gain and fat loss, reducing muscle pain, and restoring elasticity and firmness. Another new treatment, launched in July, utilises Plasma Duet technology to rejuvenate the skin and enhance its powers of absorption.

At year-end, the Group was operating 17 Oasis Beauty centres in Hong Kong (comprising 15 Oasis Beauty and 2 Oasis Homme centres), up from 16 at the same time the previous year, along with one Oasis Beauty Store in Macau and three self-owned centres in the PRC. It was also operating three Oasis Spa outlets, and four Oasis Hair Spas.



## Oasis Medical Centre

The nine Oasis Medical Centres in Hong Kong at year-end (one up from the previous year) recovered strongly after a downturn induced by COVID-19 restrictions last year. The growing reputation of the centres and their continual influx of new and advanced medical beauty equipment and treatments have kept customers highly engaged with the brand, and generated steady and strong traffic especially in the second half of the year.

Oasis Medical Centre rolled out new generation Pico4Genius laser spot removal equipment in June 2021 with a series of advanced treatment options. The new technology is FDA-approved. In August it also introduced Oligio, a highly effective skin tightening treatment that uses unipolar RF to heat the skin and stimulate the renewal of collagen and elastin. This followed on from the Firmix 3D Wrinkle Remover equipment launched in March, utilising 4MHZ RF energy and a 3D rotation technique to lock the collagen network layer beneath the skin.



## Oasis Hair Spa

The Group launched its Oasis Hair Spa service in 2019, and has since expanded the number of locations to four. They are each located within larger Oasis Beauty centres. The Hair Spas offer advanced and high-end hair and scalp treatments that are a natural extension of the beauty treatments available for face and body provided by Oasis Beauty. Uptake has been good and results for the year very encouraging.





# 瑞士 冰川面膜



## Glycel

The Group's Glycel brand records revenue from both beauty services, under its Skinspa treatment operations, and product sales. Glycel's spa services performed well over the year, offset only slightly by a small drop in Glycel product sales. The brand was boosted by the opening of a major new Glycel outlet in The LOHAS in November 2020, together with the relocation of its Festival Walk outlet to a huge 6,000 sq. ft. space in June 2021 in conjunction with a new Oasis Medical Centre outlet there. The significant expansion of floorspace at these two locations has led to an uptick in custom and a high public profile for the two brands.

Product highlights for the year included a new Swiss Perfection Essence-in-Mask that blends properties of hydrating, detoxifying and whitening the cells and refining the pores for exceptional skin, while one treatment highlight was the launch of the Red Treasure Swiss Perfection Signature Facial, blending advanced bio-activation and manual activation to activate skin cells on the face.

As at 30th September, 2021 the Group was operating 18 Glycel outlets in Hong Kong, the same as the previous year. However, as mentioned above, these included two new or relocated outlets of considerably enhanced size.



## Product Sales

### Erno Laszlo

The closure of the Erno Laszlo outlet in Beauty Avenue in Langham Place in July 2021 reduced the number of Erno Laszlo outlets to four at year end. This resulted in a single-digit drop in product sales for the year compared with the previous one. The brand's products continue to be refreshed and expanded; for instance, in the year it launched VTM Micro-Essence, a restorative facial essence lotion scientifically formulated to treat dry, pigmented, and damaged skin.



### Eurobeauté and DermaSynergy



The Group's Eurobeauté brand includes a range of products used in and sold to customers at the Group's spas and beauty centres, while its self-owned DermaSynergy brand offers various skincare and related beauty products for consumers and is mostly sold at Oasis Medical Centres. Of the two, Eurobeauté is the predominant brand, with sales of some five times those of DermaSynergy. Eurobeauté experienced a small single-digit drop in sales for the year, while DermaSynergy products sold well in line with the strong results and expansion of Oasis Medical Centres.

Eurobeauté launched a new product line, Water Boost, in June 2021. Including an essence and cream, the Water Boost products use a 2-step formula to activate the self-generating water cycle and boost skin moisture.

## WaterJuicery

This brand under the Oasis product portfolio offers healthy, freshly squeezed fruit and vegetable juice drinks for consumers, which is ordered online and delivered to customers' doors. The brand turned in a very strong performance for the year, expanding its product range and attracting considerably more custom. It was boosted by the introduction of a new 'healing tea' product that has performed very well since its launch.



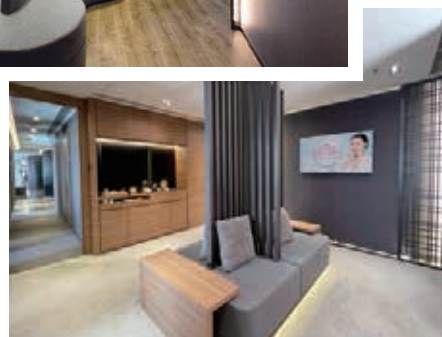
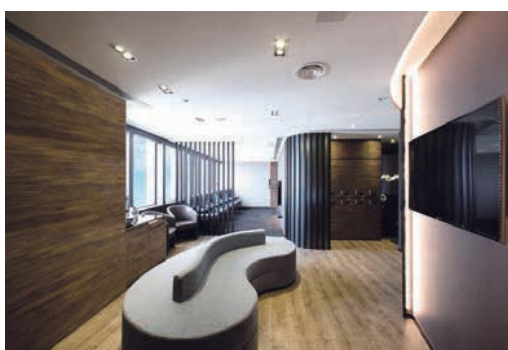
## H2O+



This longstanding US skincare brand is sold in two outlets in Hong Kong. One new product in the year was the Hydration Age Renew Collection, comprising an eye cream, hydro-serum, and night mask.

## Millistrong portfolio

The newly-acquired Millistrong Group includes two retail product brands, one with eight outlets and the other sold in a single outlet, along with a spa brand with five outlets and a single medical beauty location. These brands all have longstanding and loyal customer bases, and new products and services continued to be rolled out in the three months (July, August and September) after the Group completed its acquisition on 28th June, 2021 in which the Group has taken control. Results have been steady and the group sees the Millistrong acquisition as holding much potential for future development.





## Prospects

COVID-19 still affected the Group's operations in the first half of the year, but as the pandemic situation stabilised in the second half, the Group's performance improved steadily. At the local level, Hong Kong is now almost back to normal with COVID-19 well under control. This has set the scene for increased consumer confidence and rising spending by locals, especially as foreign travel remains difficult or impossible for most Hong Kong people.

Given this context, the Group believes that the prospects for steady ongoing business growth are strong. Added to this is the fact that, as a result of the pandemic, rental rates have declined and landlords are more prepared to negotiate than they have been for a long time. On the back of this, the Group has negotiated some excellent rental deals that are enabling it to expand its floor space, attract more customers, and expand its market share.

Meanwhile, the Group is well forward with plans to open new stores for its major brands. As mentioned above, in November this year, after year-end, it opened a large new Oasis Medical Centre in The LOHAS shopping mall. Glycel has also expanded its existing outlet in One Pacific Centre in December this year, increasing its service area by 3,374 sq. ft. to 4,852 sq. ft.. In addition, it has also secured a prime location of over 10,000 sq. ft. in Shatin's Royal Park Hotel which will open with a new Glycel outlet and an Oasis Medical Centre early in the new year. This prestigious and eye-catching flagship location will cement the Group's presence in this busy area. Other upcoming outlet openings planned for 2022 include a new space at the Gateway Arcade in Tsim Sha Tsui, where the existing Oasis Spa will be supplemented by a Glycel store and Oasis Medical Centre. Opening is tentatively scheduled for June 2022. Also in that month, the Group intends to open a much-expanded Oasis Medical Centre on an entire floor of the Soundwill Plaza in Causeway Bay, significantly increasing the space available for treatments.

In the belief that there is much scope for further expansion and growth and that now is the best time to be planning for the future, in June the Group acquired Millistrong. This well-established Hong Kong beauty product and services group has been operating in the city since 2003, and has built up a solid and loyal customer base. Besides, the acquisition of Millistrong offers the Group many opportunities to exploit synergies between the two groups' operations to further grow its reputation and market share. For example, the Group is able to tap into the extensive Millistrong database to promote its Oasis offerings, and vice versa. It has already begun to place some Oasis products for sale in Millistrong outlets. Other synergies between the two operations should enable the Group to further lower costs, in areas such as online marketing and the operation of media platforms and online shopping channels.

Online product sales have continued to rise in the past year, and the Group will continue to devote resources to its online sales platforms to keep this trend going in the coming year.

The Group's diligent efforts to move Water Oasis forward and plan for the future in a year when many businesses have been struggling to cope with the effects of the pandemic have reaped excellent rewards. As consumption of beauty products and services has normalised in recent months, the Group has been ready to embrace new customers with new products, refurbished stores, and the latest new equipment. It has generated a strong forward momentum, and has plans to continue this momentum into the coming year with new store openings and the introduction of an exciting range of new products and equipment. With a strong head-start in the post-COVID climate, the Group is looking forward to showcasing further achievements in the coming months.