

Water Oasis Group Limited Announces 2015/16 Annual Results*** * ******Achieved Continued Profitability Despite a Challenging Environment
Encouraging Performance in the 2nd Half Validates
Its Prudent Strategies*****Financial Highlights**

- For the year under review, the Group's turnover decreased by 9.4% to approximately HK\$626.8 million as compared with that of last year, primarily due to the generally weak economic and uncertainties situation in Hong Kong which affected spending as well as the slower uptake and consumption pattern habits of consumers across the board.
- Gross profit margin remained stable at approximately 90.9%, the same as last year.
- Careful and prudent cost-management had been exercised to reduce its overall costs which included the closure of a number of unprofitable outlets. For the year under review, advertising, rental and staff costs all fell by comparison with the previous year, resulting in profit for the year decreased by 44.8%. In summary, the turnover and profit for the period dropped by 11.1% and 72.0% in the first half of the year and dropped by 7.6% and increased by 3.6% in the second half of the year comparing with the same period in 2015.
- The Group's sales mix rose to approximately 75.4% in beauty services and 24.6% in retail sales, comparing to 73.7% and 26.3% with that of last year.
- The Group retained a strong cash position of approximately HK\$300.5 million as at 30th September, 2016, representing an increase of HK\$40.5 million over same period last year.
- Recommended the payment of a final dividend of 2.0 HK cents per share.

Operation Highlights**Beauty Services Business**

- Oasis Medical Centres in Hong Kong continued to perform well despite the challenges of the general environment, posting a growth of 4.1% in turnover compared with last year. Utilising the latest high-end medical equipment and employing qualified doctors and other highly-trained staff, the centres have built a strong reputation for high-quality medical beauty treatments.
- Performance in total retail and services' turnover of the Glycel brand fell year-on-year, by approximately 8.8% which was in line with the overall economic and retail environment. Glycel continued to introduce new products, treatments and innovative beauty devices to maintain its leadership position in the market.
- Both the Group's Oasis Beauty and Oasis Spa businesses in Hong Kong experienced a moderate downturn in business due to the external factors mentioned above. However, Oasis Beauty continued to invest in new products and new services designed to give customers the very best and latest in beauty treatments.
- As at 30th September, 2016, the Group operated 9 Glycel Skinspas, 17 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 3 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC.

Retail Business

- Turnover of both Erno Laszlo and H2O+ brands dropped during the year under review, profitability were improved mainly due to the closure of unprofitable outlets in Hong Kong.
- Sales of products under each of the Group's owned brands Eurobeauté and DermaSynergy reported double-digit growth during the year under review when compared with sales of the relevant brand's products last year.
- As at 30th September, 2016, there were 4 Glycel, 5 Erno Laszlo and 6 H2O+ outlets operating in Hong Kong as well as 2 outlets in Macau.

Outlook

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

(Hong Kong, 15th December, 2016) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEx: 1161), a renowned beauty services and beauty retail group, announced the final results of the Company and its subsidiaries (the “Group”) for the year ended 30th September, 2016. Despite challenging environment, the Group has seen encouraging improvements in profitability in the second half of the year which are testimony to the value of its prudent strategies and responsive business operations.

In the past year, the Group had to deal with strong macro-economic events that dampened consumer spending and had a particularly adverse effect on the beauty and skincare market. Overall, the Group’s performance was in line with the industry trend, whose fall in overall turnover amounted to 9.4%. However, the Group’s second half profit performance represented an improvement over the first half, indicating that the turnaround measures implemented over the year have been effective. With careful management of its operations and stringent cost controls, the Group managed to keep its gross profit margin stable at 90.9%, the same as last year. Basic earnings per share for the year amounted to 3.8 HK cents (2015: 6.6 HK cents).

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

Business Review

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

Despite the challenges of the general environment, the Group’s 6 Oasis Medical Centres in Hong Kong continued to perform well, posting growth of 4.1% in turnover compared with last year. Customer increases in the year led to higher utilisation of doctor capacity, and an overall increase in doctor productivity of around 15%. In line with the overall economic and retail environment, the performance in total retail and services’ turnover of the Glycel brand fell year-on-year, by approximately 8.8%. On the other hand, both the Group’s Oasis Beauty and Oasis Spa businesses in Hong Kong experienced a moderate downturn in business due to the external factors. In total, turnover decreased by 9.8%. Over the year, the active customer base for both Glycel and Oasis Beauty recorded more than double-digit growth.

For the retail segment, 7 brand new Eurobeauté products were introduced, significantly spurring uptake of these products and leading to double-digit growth in product sales for the year. Similarly, DermaSynergy products generated enthusiasm among users, leading to strong double-digit growth in product sales of this owned brand that is being launched since February 2015.

During the year, 2 unprofitable Erno Laszlo outlets were closed during the year, leaving 5 in operation at year-end against 7 the previous year. Although a couple of outlets were closed, the Erno Laszlo brand was given good impetus with the launch of a range of new products that included

attractive new skin cleansing bars and oils for all types of skin. Meanwhile, sales of H2O+ brand products fell in line with the market. Over the year, the Group closed down 7 low-performing H2O+ outlets and opened one new outlet in Causeway Bay, which halved the number of outlets at year-end from the 12 in operation one year previously.

Prospects

Looking ahead, the Group's growth strategy will be primarily focusing on increasing core competencies and further boosting competitiveness. In practical terms, the Group will leverage its integrated brand portfolio to drive long-term success. At the same time, it will continue to work on building and shaping its existing customer pool profile and mix, which involves expanding the range of customers. Throughout this process, the Group will continue to exercise robust cost controls across its operations, continuing its long tradition of prudent financial management.

Though the Group withdrew from China's retail market for beauty products some years ago, it is believed that its products have considerable potential in the PRC market. As a result, the Group is continuously looking into ways of tapping into cross-border e-commerce platforms and developing opportunities to get China consumers involved in product trials.

Going forward into the coming year, the Group will leverage the successes of its Oasis Medical Centre to further establish itself as a leader in the field of medical beauty, and in particular an expert in firming and injection treatments. The Glycel brand will also be re-boosting productivity through innovation, with plans afoot to introduce new equipment and services in its operations, along with new beauty devices and anti-aging products for home use. Meanwhile, the Group's owned DermaSynergy and Eurobeauté brands are being groomed as the next growth drivers for the Group.

As always, the Group will closely explore opportunities for cooperation and joint promotions with other parties, or acquisition opportunities that could help the Group further achieve its goals.

Ms. Stevie Wong, Chief Executive Officer of Water Oasis, concluded, "Looking ahead, a cautious and prudent approach to achieving growth will continue to be adopted in managing the coming year. Together, we are taking the right steps to get us through tough times and lay a foundation for new growth and development. We are confident that our careful market-focused development and trend will consolidate the core businesses and help it further explore new opportunities in the future."

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About Water Oasis Group Limited

The Group is a leading beauty services provider and beauty product retailer in Hong Kong. Founded in 1998 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2002, from its beginnings the Group has been one of Hong Kong's most innovative companies within its industry, and has been responsible for numerous "firsts". Coupling a clear vision with a constant impetus for development and transformation, the Group has expanded over the years into an esteemed provider of beauty services along with a strong product portfolio of self-owned and licensed brands. Already a leading player in the territory, the Group aims to become a regional leader in its field across Greater China. For more information, please visit www.wateroasis.com.hk

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