



[For Immediate Release]

Water Oasis Group Limited Announces 2014/15 Annual Results

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Reaped the Benefits of Initiatives under “Strengthen the Momentum : Transform and Innovate” Profitable Beauty Services Businesses Have Continued to Charge Forward

Financial Highlights

- For the year under review, Group’s turnover increased by 1.9% to approximately HK\$691.7 million as compared with that of last year, reflecting an increase in sales in our beauty services brands like Glycel and Oasis Medical Centre, but being offset by the challenges faced in the Hong Kong retail sector; longer consumption pattern in Oasis Beauty and Oasis Spa; as well as the decrease in sales contribution due to the closure of our retail business in PRC, Taiwan and Singapore.
- Gross profit margin increased to approximately 90.9% from 89.5% due to greater contribution made by the Group’s higher margin beauty services business.
- In the year under review, the Group had kept advertising and rental costs under control through careful media budget optimisation and closing of non-optimal outlets, reflecting a decrease in 11.1% and 4.7% respectively when compared with that of last year. Staff costs rose reasonably by 6.8% due to competitive compensation offered to retain high-performing employees.
- Profit for the year increased by 15.2% to approximately HK\$52.5 million was mainly attributable to the increased contribution in the Group’s beauty business operations like Glycel and Oasis Medical Centre as well as lower losses as a result of the closure of our PRC, Taiwan and Singapore’s operation in this financial year.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 73.7% in beauty services and 26.3% in retail sales.
- Recommended the payment of a final dividend of 2.5 HK cents per share.

Operation Highlights

- Glycel and Oasis Medical Centre were the Group’s major growth drivers for the year under review including both the top and the bottom line. The opening of the Group’s flagship stores in the Entertainment Building in Central in October 2014 has further boosted the momentum of these businesses. In 2015, the Group took full advantage of the 30th anniversary Glycel brand to promote the brand extensively and raise its public profile further.
- The total cash receipts for the Group’s Oasis Beauty and Oasis Spa businesses in Hong Kong increased by 9.6%, while turnover for the year saw decreases of 2.6% and 12.3% respectively due to longer consumption pattern appearing in the Group’s beauty treatment plans.
- The Group’s h₂o+ distributorship agreement for the territories of Hong Kong and Macau has been successfully renewed for 5 years up to 31st December, 2020. Both the Group’s retail brands Erno Laszlo and h₂o+ encountered a decrease in turnover partly due to the severe downturn in Hong Kong retail market as well as the closing down of the non-performing stores. The store consolidations of h₂o+ non-performing outlets would expect to lead to improved performances for the brand over the year ahead.
- The sales contribution of our Group’s self-owned brands Eurobeauté, DermaSynergy and Oasis Health were also growing at a fast pace supplementing our retail sales performance.
- The Group presented its first Environmental, Social and Governance report involving the implementation of measures to conserve resources, reduce its overall energy consumption, and raise staff awareness of good environmental practice.

(Hong Kong, 23th December, 2015) --- 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, 2015. Despite the very challenging operating environment, the Group continued to achieve solid turnover and profit growth for the year, which recorded 15.2% year on year growth in profit and a rise in overall turnover of 1.9%.

During the review year, the Group reaped the benefits of its initiatives under “Strengthen the Momentum: Transform and Innovate” and was able to draw on its fundamental strengths to resist the headwind affecting Hong Kong retail businesses. For the year ended 30th September, 2015, the Group’s like-for-like turnover growth was over 3.1%, if its PRC, Taiwan and Singapore businesses (now closed) are excluded. Gross profit margin rose from 89.5% to 90.9%, on the back of a higher contribution from the Group’s beauty services businesses which have higher profit margins. Basic earnings per share for the year amounted to 6.6 HK cents (2014: 6.3 HK cents).

The Group further raised its bank balances and cash levels as at 30th September, 2015 to approximately HK\$260.0 million, while its current ratio was 0.9:1 and its debt-equity ratio was 9.0%. The board of directors has recommended the payment of a final dividend of 2.5 HK cents per share, bringing the full-year dividend to 6.5 HK cents per share (2014: 6.0 HK cents).

In line with the Group’s intention to transform itself into a service-led beauty portfolio, the Group’s beauty services brands drove the year’s performance. The contribution to turnover mix between beauty services and retail rose from 70.5% and 29.5% last year to 73.7% and 26.3% at the end of September 2015. Cash receipts from beauty services achieved a strong 10.3% increase year on year.

Ms. Stevie Wong, Chief Executive Officer of Water Oasis, said, “Despite challenging market environment, I am pleased to be able to report that the Group showed its resilience and the effectiveness of its strategies for continuous transformation in very concrete terms. During the review year, we prioritized those of our brands, services or products that are most profitable and that hold the highest potential for growth, and focusing on building their momentum even further. This has been most evident over the past year in the Group’s work to consolidate and extend the remarkable successes of two of the Group’s growth engines: Glycel and Oasis Medical Centre.”

Business Review

Moving away from its former role as retail distributor and instead reshaping itself into a services-led beauty portfolio, the Group is shifting its profit mainstay towards high margin services. For the year under review, cash receipts for the Group’s Oasis Beauty and Oasis Spa businesses in Hong Kong increased by 9.6% in total, led by a good performance in cash receipts from Oasis Beauty. These rises are indicative of the strong and continuing customer support enjoyed by the Group, and the underlying strength of these brands.

As one of the Group’s major growth drivers for the year under review, Glycel achieved turnover growth in retail and beauty services of approximately 8.2% and 25.2% respectively in Hong Kong. The brand benefited from the opening of its flagship Glycel Premier Spa in Central last October, and further generated consumer excitement with the rolling out of portable beauty devices: the very popular Glycel 42°C Mobile Skin Therapist device launched in 2014, and in 2015 the Glycel Body Therapist device with new Slimming Gel, which extends the benefits of the earlier device to the entire body and has broken the overall sales records for the brand.

Similarly, Oasis Medical Centre continued the momentum that it has begun to build up over recent years, and achieved strong year-on-year growth in turnover of 25.7%. Having established itself as a

unique provider of medical aesthetic treatments backed by consultancy from highly qualified medical professionals and delivered using advanced technologies and equipment, the Oasis Medical Centre business is now attracting increasing numbers of customers. The opening of a branch in October 2014 as part of the Group's flagship store in the Entertainment Building in Central has further boosted the momentum of this business.

Turning to the Group's licensed brands, the Group's h₂O+ retains a strong and loyal customer base, while sales of Erno Laszlo dropped slightly by 4.7% year on year, mainly due to the closure of one of the existing Erno Laszlo outlets. Nevertheless, new products were launched during the year, which hold potential for the future.

Prospects

Looking ahead, instead of rapid expansion, the Group is looking for consolidation of its strengths, its customer base, and its reputation. Under its motto "Strengthen the Momentum: Transform and Innovate", the Group will continue to look for opportunities for improvement across the board.

For the coming year, the Group will be adjusting its business model to expand the means of attracting and retaining customers. In the year under review, it set up a new Innovative Channels Department to work with corporate partners in ways that enable the Group to tap into the employee pools and customer pools of these corporates, which represents a significant new source of potential customers. In addition, the Group is now ready to enhance its CRM systems in ways that will involve taking a more aggressive approach to encouraging existing customers to recommend or recruit new ones.

At the same time, the Group expects to maintain its robust cost controls, and will negotiate hard as existing rental leases come up for renewal. In addition, the changing rent patterns are enabling the Group to review its retail locations, and it is actively looking to take up more prominent and visible retail store locations.

The Group will also continue to explore investment opportunities as they arise. The Group is relatively cash rich, and its purchase and turnaround of the Glycel brand over the past few years is witness that it has the skills to take on underperforming but high potential brands and optimize their performance.

Ms. Stevie Wong concluded, "Given our successes over the past two years in terms of achieving a business turnaround and following that by sustained growth, all in the face of considerable challenges, I am confident that we are moving along the right path. The steps we have taken and are continuing to take are bringing concrete benefits to the Group in terms of its reach and reputation, and to investors in terms of positive investment returns. The Group is well prepared to embark on the next stage of our transformation journey, in which we will be able to further consolidate our leadership in Hong Kong."

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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 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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