

# Water Oasis Announces 2005/06 Interim Results

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## *Effects All-round Advancement China Market Set to Become Major Growth Driver*

### **Highlights**

- Turnover increased by 22% to approximately HK\$243,583,000
- Operating profit amounted to HK\$8,715,000, a 234% surge
- Retail sales had double-digit growth, service business outperformed retail business
- Established a wholly foreign-owned company in China to facilitate retail network expansion
- Collaborated with Johnson & Johnson to expand distribution business of Neutrogena products in Mainland department stores
- Expansion in both retail and services sectors creates a multi-layered enterprise for investor gains
- Recommended an interim dividend of 2.0 HK cents and a special dividend of 1.0 HK cent per share

(Hong Kong, June 21, 2006) --- **Water Oasis Group Limited** (“Water Oasis” / the “Group”)(HKEx: 1161), a renowned skincare and beauty service group and the sole agent for the reputable ~H<sub>2</sub>O+ skincare products in Hong Kong, Taiwan, Macau, Singapore and Mainland China, announced its interim results for the six months ended March 31, 2006.

During the review period, the Group saw its latest investment and expansion efforts in China beginning to bear fruit. The Group reported a turnover of HK\$243,583,000 for the six months ended March 31, 2006, a 22% rise from HK\$199,585,000 in the same period last year. The Group’s operating profit and EBITDA (excluding the revaluation gain on investment properties) for the six-month period amounted to HK\$8,715,000 and HK\$19,177,000 respectively, representing a 234% and a 68% growth. These figures were achieved on the back of significantly improved results in the market with retail sales contributing double-digit growth. The Board of Directors recommended the payment of an interim dividend of 2.0 HK cents and a special dividend of 1.0 HK cent per share for the six months ended March 31, 2006.

**Mr. C. Yu, CEO and Executive Director of Water Oasis**, said, “Our business continued to advance during the review period benefiting from expansion initiatives and investment we made in China earlier. We are also delighted that our service business delivered exceptional performance and grew even faster than the retail business. The introduction of Neutrogena business has also brought new growth momentum in addition to giving us a spring board to capture more rising opportunities in the PRC retail market.”

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During the period under review, the Group's **~H<sub>2</sub>O+ retail business** in China delivered double-digit growth. As at the end of May 2006, Water Oasis had 115 ~H<sub>2</sub>O+ outlets in China, and between 20 to 30 more new outlets will be opened in the remaining months of the year. The wholly foreign-owned trading company set up in China in March 2006 has allowed the Group to legally operate retail business in the country without the necessity of forming a local partnership. The mode of operation enables the Group to open independent standalone retail outlets under its sole control in China. The new company will also facilitate the setting up of self-owned beauty centre by Water Oasis in China in the near future.

Hong Kong continued to contribute the largest portion to the Group's revenues and the Group has been rationalising the retail network in Hong Kong to boost sales effectiveness. As for performance of the overseas markets, sales in Taiwan reported a slight downturn generally but is expected to remain steady for the rest of the year. One or two ~H<sub>2</sub>O+ counters in Taiwan may be relocated shortly to generate better sales. In Singapore, with department stores emerging as the preferred shopping destination for ~H<sub>2</sub>O+ patrons, the Group may tune its sales strategy accordingly.

The Group's strong sales experience and business presence in the PRC has won recognition from Johnson & Johnson which gave the Group the exclusive rights to distribute **Neutrogena** products in China department stores. The 3-year rights started in March 2006 with an option for a further renewal of three year upon expiry. By the end of March 2006, the Group had opened 10 Neutrogena counters in China and it expects to open a total of about 40 counters by the end of 2006. Johnson & Johnson is responsible for driving marketing and advertising for the Neutrogena brand across China, which will help to significantly reduce the Group's distributing cost for Neutrogena products and in turn raise the Group's profitability.

The Group's **Spa and Beauty businesses** performed satisfactorily during the period under review. The extensive ~H<sub>2</sub>O+ distribution network and the resultant strong customer database has served the Group as an effective cross-selling platform for its spa and beauty business and contributed to the satisfactory results. The business turned around from loss to profit and the strong VIP customer base of Oasis Spa is expected to brace further growth. Also, to better cope with rising demand for spa services, the Group enlarged the Oasis Spa outlet in Causeway Bay by adding to it another 3,000 sq ft and a new Aqua Beauty outlet in Causeway Bay is in the pipeline.

“To tap the trend and ever-increasing demand for slimming services, we have just launched a new slimming chain in May. Branded as ‘Sure Slim’, the chain targets the mass market by offering extremely competitive packages and expects to achieve cash flows breakeven in six months. We are also dedicated to expand the sales network for Neutrogena products in China with the aim of generating adequate sales volumes for decent profit. Armed with distribution rights of ~H<sub>2</sub>O+ and Neutrogena, the Group boasts strong bargaining power with Mainland department stores over rental terms and costs, conducive to expansion of the Group’s distribution and retail network in the country” **Ms. Yu added.**

Looking forward, the Group plans to open its first beauty centre in Shanghai, which will occupy an area of approximately 2,000 to 3,000 sq ft, in the fourth quarter of 2006, adopting the successful business model of the Group’s beauty business in Hong Kong at large while heeding local customer requirements. Same as in Hong Kong, the Group will leverage its established distribution network and customer database on the Mainland to cross-promote its beauty business in the country. The Group had conducted an extensive market research before proceeding with planning of the Shanghai beauty centre, hence it is very optimistic about the centre’s prospects.

“Our China operation will soon become our largest revenue source, accordingly in the coming months, we will focus on maximizing publicity, expanding market presence and the number of retail outlets in the market. In Hong Kong, we see great growth potential for Sure Slim. Working in tandem with the Group’s well established retail and service operations network in Hong Kong and the region, these new initiatives will enable us to create a multi-layered business enterprise laden with huge opportunities for investor gains”, **Ms. Yu concluded.**

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#### About Water Oasis Group Limited

Water Oasis Group is principally engaged in the retail sales of ~H<sub>2</sub>O+ skincare products in Hong Kong, Macau, Taiwan, Singapore and the PRC, as well as spa and beauty businesses under the brand names “Oasis Spa”, “Oasis Beauty”, “Oasis Homme”, “Aqua Beauty” and “Sure Slim”. At present, Water Oasis has 15 retail outlets in Hong Kong, 15 in Taiwan, 2 in Macau, 4 in Singapore carrying the ~H<sub>2</sub>O+ brand, as well as 2 “Oasis Spa”, 12 “Oasis Beauty / Oasis Homme”, 4 “Aqua Beauty” and 3 “Sure Slim” in Hong Kong. In the PRC, Water Oasis has over 110 self-managed or franchised outlets. Also, Water Oasis has obtained the exclusive rights to distribute Johnson & Johnson’s Neutrogena products in China department store and to date has 10 Neutrogena department store counters in China. Water Oasis was listed on the Main Board of the Stock Exchange of Hong Kong in March 2002.

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