



[For Immediate Release]

**Water Oasis Announces 2007/08 Interim Results  
Profit for the period Up 244% to HK\$34.7 million**

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**~H<sub>2</sub>O+ and Neutrogena Operations Reach New Heights  
In China Market and Continue to Lead the Growth**

**Highlights**

- Turnover increased by 43% to approximately HK\$398 million. Both retail and services businesses achieved a double-digit percentage sales growth
- Profit for the period achieved a tremendous growth of 244% to around HK\$34.7 million with ~H<sub>2</sub>O+ and Neutrogena business in Mainland China as the main contributors
- Recommends an interim dividend of 8.0 HK cents and a special interim dividend of 2.0 HK cents per share.
- Rapid expansion of ~H<sub>2</sub>O+ and Neutrogena outlets in the Mainland to a total of 309 outlets at the end of May 2008.
- Responses from customers on our health drink product “Collagen 8000” are excellent and generated a new segment of revenue to our Group’s performance.
- Signed a Memorandum of Understanding with a famous French cosmetic and skin-care brand to be its sole distributor in Mainland China
- Signed a Joint Venture agreement as the majority shareholder of the JV to own, develop and distribute a cosmetic brand in Mainland China.

(Hong Kong, June 23, 2008) --- Water Oasis Group Limited (“Water Oasis” / the “Group”) (HKEx: 1161), a renowned skin-care and beauty service group and sole agent of the reputable ~H<sub>2</sub>O+ skin-care products in Hong Kong, Taiwan, Macau, Singapore and Mainland China as well as the exclusive distributor of Neutrogena skin-care products in Mainland China department stores, announced its interim results for the six months ended 31 March 2008.

The Group recorded turnover of approximately HK\$398 million for the six months ended 31 March 2008, representing a growth of 43% as compared with the same period last year. Profit for the period also increased by 244% to approximately HK\$34.7 million. Excluding gains arising from changes in the fair value of investment properties, profit attributable to equity holders achieved good growth of 190% as compared with same period last year. An interim dividend of 8.0 HK cents per share and a special interim dividend of 2.0 HK cents per share have been declared and are payable to the shareholders.

**Ms. C. Yu, CEO and Executive Director of Water Oasis**, said, “We are glad to see the Group experienced in tremendous growth, with profitability and expansion being led by growth in its China operations as well as the solid gains made across the rest of its businesses. The Group’s strong performance in the period was granted to its ~H<sub>2</sub>O+ and Neutrogena business in Mainland China, which has enjoyed continuous strong demand and now contributes the largest proportion of the Group’s overall income. The Group remains optimistic in the future growth of its Mainland China business. In addition, the launch of the new health drink Collagen 8000 has created a new drinks business for the Group which looks set to generate good long term returns, as is evident from the excellent performance of this new product in the period under review.”

“The Group’s prudent cost controls have proven their effectiveness in the period under review. Boosted by improved sales figures for the period, the ratio of the Group’s costs to its revenue has fallen over the past six months, improving profitability. In addition, the addition of new stores has spread the Group’s core fixed costs more widely, creating greater cost efficiencies.” She added that “Once all these fixed costs are met, the bulk of income of extra stores openings is directly and significantly increasing the Group’s bottom line.”

During the review period, the Group’s **~H<sub>2</sub>O+ retail business** in Mainland China has enjoyed a robust growth with the profit contribution from this segment achieving a record high. As at the end of May 2008, the Group was operating a total of 164 ~H<sub>2</sub>O+ outlets in Mainland China. The Group also undertook a dynamic adjustment and improvement of its store mix, creating a more robust platform for further expansion in coming months. By the end of September 2008, the Group expects to boost the number of its ~H<sub>2</sub>O+ stores to around 185, as part of its ongoing commitment to Mainland China as a prime focus for its future expansion and development. Collagen 8000, which was launched in Mainland China in October 2007 enjoyed runaway success and contributed strongly to the Group’s performance.

In Hong Kong, 3 new ~H<sub>2</sub>O+ stores have been opened successfully to boost its presence in the New Territories during the review period. The Group is also finalizing plans to open 1 new ~H<sub>2</sub>O+ store in Hong Kong’s prime shopping district.

On the other hand, the Collagen 8000 was gaining significant momentum and sales have continued to improve steadily over the period under review since its first launch in May 2007.

In Taiwan, meanwhile, a stabilised political situation and improving economic prospects has seen a turnaround in its performance and achieved profitability, compared with a corresponding loss in the same period last year. Besides, the performances of the Group’s Singapore operations have also turned a profit in the period and this improved trend looks set to continue. Consumer response of Collagen 8000 in both Taiwan and Singapore has been similarly positive.

To add to its initial Collagen 8000 product and expand its health food and drinks business, the Group plans to launch related health food and drinks products including a new diet drink slimming product and a health supplement under the ~H<sub>2</sub>O+ brand.

The Group's **Neutrogena's business** has enjoyed considerable success over the past six months. As at the end of May 2008, the Group has increased its Neutrogena outlets from 119 to 145, spreading across 61 cities in Mainland China, providing a positive contribution to the Group's bottom line. With plenty of room for growth remaining in the market for Neutrogena products, the Group intends to continue the rapid expansion of its Neutrogena network, with a target of having around 160 outlets in operation by the end of September 2008.

Regarding **the Spa and Beauty business**, the Group's very first Mainland China beauty outlet was opened last year in Beijing APM, which has begun contributing positively to the Group's bottom line on a pre-tax basis. The Group plans to open a second beauty outlet in the prestigious Beijing Times Square which is expected to be up and running by early July 2008. "Today's urban Chinese customers have demonstrated their enthusiasm for high quality beauty products and services, the Group believes that the market for beauty services in China is still relatively unexplored and possesses great potential for growth." **Ms. Yu commented.**

In Hong Kong, for the period under review, Oasis Beauty performed particularly well and steady growth was achieved in both turnover and customer base, ensuring that the Group's Hong Kong beauty services still contributes a sizeable proportion of its overall turnover and customer base. The Group intends to expand the size of two of its existing Oasis Beauty premises and will continue to scour the market for possible venues for new Oasis Beauty centres as demand grows.

Although the Group's new Medical Beauty business was launched less than half a year, it has a very encouraging performance, achieving breakeven in cashflow terms.

The Group has continued to work assiduously to develop additional high-potential lines of business to supplement its core ~H<sub>2</sub>O+ and Neutrogena brand businesses. Recently, it signed a Memorandum of Understanding with a French cosmetics and skin-care brand "**Yves Rocher**" targeting at customers somewhere between the demographics for Neutrogena and ~H<sub>2</sub>O+. The Group plans to begin distributing the new brand in Mainland China sometime around September 2008. After that, the Group will launch the brand in Taiwan.

Additionally, the Group also recently signed an agreement to enter into a joint venture with a majority shareholding, according to which it will own, develop, and distribute a brand of cosmetics products. The target market will be younger and lower-income customers. It is expected to be launched in the Mainland China by early 2009.

“Year 2008 marks our tenth anniversary and our business in recent years is to make the Mainland China our major focus for future growth and its key driver for future profitability. Having a series of new and promising projects on hand for 2008, the Group will grasp any opportunities to explore our business further. Following a course of prudent financial management, zero gearing and meticulous planning, the Group has built up a robust profile with a sound financial platform, and today is well positioned to move forward and continue to bring solid returns for investors.” **Ms. Yu concluded.**

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### **About Water Oasis Group Limited**

Founded in 1998 and listed on the Main Board of the Stock Exchange of Hong Kong in March 2002, Water Oasis Group operates principally retail sales of ~H<sub>2</sub>O+ skin-care products in Hong Kong, Macau, Taiwan, Singapore and the Mainland China through a total of 196 outlets. In 2006, the Group obtained exclusive rights to distribute Johnson & Johnson’s Neutrogena products in Mainland China department stores channel with 145 outlets opened across 61 cities. Also, Water Oasis also operates spa and beauty treatment businesses under the “Oasis Spa”, “Oasis Beauty”, “Oasis Homme” brands represented together by 20 beauty centres in Hong Kong as well as the first being an Oasis Beauty Centre opened in Beijing in 2007. In January 2008, the Group opened its first medical beauty centre in Hong Kong named Oasis Medical Centre that provides a full spectrum of beauty services to customers.

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