



## Water Oasis Group Limited Announces 2011/12 Final Results

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### Revitalised Flow of Energy

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#### Financial Highlights

- In the year under review, Group's Turnover reduced by 16.3% to approximately HK\$824.4 million as compared with that of last fiscal year. This was mainly due to the loss of distributorship of h<sub>2</sub>o+ in the PRC and Taiwan, but was partly offset by the increase in sales contribution on beauty services segment.
- Profit attributable to owners of the Company decreased by 19.7% to approximately HK\$68.0 million partly because of the write-off on inventory and fixed assets after termination of h<sub>2</sub>o+ operations in addition to the effect due to the decrease in sales.
- Beauty Services division's performance was outstanding in the year under review. The total performance of turnover and segment results on our Oasis Spa, Oasis Beauty and Glycel achieved a double-digit increase when compared with that of last fiscal year.
- Recommended a final dividend of 4.0 HK cents per share.

#### Operation Highlights

##### Retail – HK

- During the year under review, a new h<sub>2</sub>o+ shop located at New Town Plaza Shatin was opened in August 2012 using the rebranded image. Besides, three Erno Laszlo outlets located at Harvey Nichols, Pacific Place; Harvey Nichols, The Landmark and Hysan Place in Causeway Bay were opened in October, December of 2011 and August 2012 respectively. In addition, two Glycel outlets were opened in apm and Tuen Mun Town Plaza in June 2012.
- A new h<sub>2</sub>o+ shop was opened in December 2012 in Plaza Hollywood. Besides, two new Glycel shops were opened namely in Harvey Nichols, Pacific Place and Plaza Hollywood in October and December 2012 respectively. A number of new openings were planned to open in the year to come for these 2 brands.

##### Retail – PRC & Taiwan

- Glycel has successfully launched its operations in PRC in July 2012. Up to date, there were 5 counters under operation and the performance was encouraging. 4 Glycel counters were now under operation in Taiwan since its launch in March 2012.

**Beauty Services – HK**

- During the year under review, two new Oasis Beauty centres were opened in Yuen Long and Tsim Sha Tsui Harbour City in December 2011 and May 2012 respectively, together with an Oasis Medical Centre in Shatin in December 2011. In addition, a new Oasis Beauty and a new Oasis Medical Centre were opened in November 2012 in Kwun Tong and Mongkok respectively.

**Beauty Services – PRC**

Two new Oasis Beauty centres were opened in Winterless Center, Beijing and Xidan, Beijing in November 2011 and March 2012 respectively. A flagship Oasis Beauty centre located in Super Brand Mall in Pudong Shanghai was planned to open in January 2013. The performance of Oasis Beauty was outstanding and sales was almost doubled when compared with that of last fiscal year.

(Hong Kong, 20<sup>th</sup> December, 2012) --- **Water Oasis Group Limited** (“Water Oasis” / the “Group”) (HKEx: 1161), a renowned skincare retail and beauty services group, announced its annual results for the year ended 30<sup>th</sup> September, 2012.

For the year ended 30<sup>th</sup> September, 2012, the Group recorded a turnover of HK\$824.4 million and a profit attributable to owners of the Company of HK\$68.0 million. Both these events were largely because of the Group’s loss of its distributor rights for h<sub>2</sub>O+ products in the PRC and Taiwan announced earlier this year. This loss resulted in the write-off costs on inventory and fixed assets. However, gross profit margin increased for the year from 79.6% to 80.7%. This positive development was largely due to the greater weighting given to higher gross margin business, namely Glycel and beauty businesses. Basic earnings per share for the year were 8.9 HK cents (2011: 11.1 HK cents).

The Group maintained its traditional healthy financial base, with cash and bank deposit as at 30<sup>th</sup> September, 2012 amounting to approximately HK\$255.2 million. Cash flow from operations remained robust. Board of Directors has recommended a final dividend of 4.0 HK cents per share, bringing the full-year dividend to 8.5 HK cents per share (2011: 11.0 HK cents).

**Mr. Yu Kam Shui, Acting Chief Executive Officer of Water Oasis**, said, “The year 2011-12 has proved to be an interesting and exciting period for the Group. We have considered the changes around us and revised our growth strategies accordingly. Though one door closed during the period, several more opportunities opened at the same time. Our high margin own-brand Glycel products, and our strong beauty services business has thrown into the spotlight. All of these areas have performed extremely well over the year.”

Looking at the Group's Glycel brand, it has been a stand-out performer over the year, recording an 120.3% increase in retail sales year-on-year, and 16.0% growth in sales to the beauty sector. This positive growth hinged on the Group's careful retail expansion and enrichment of the Glycel product range. The product range continues to grow, from 19 products on acquisition of the brand to a current total of nearly 50. A Glycel collagen drink Collagen Prime 10000 was launched in July which was especially well received. The Group successfully launched its Glycel brand in China in July 2012 with five Glycel outlets currently in operation. Besides, two new Glycel outlets were opened in Hong Kong, one in Tuen Mun Town Plaza and the other in the trendy apm mall in Kwun Tong.

As for h<sub>2</sub>o+, in Hong Kong, Macau and Singapore where the Group retains its distributorship rights, the Group maintains a good relationship with the h<sub>2</sub>o+ brand owner, and remains highly committed to growth and development of the brand in its traditional core markets. It plans to open further new stores in Hong Kong later in the year and the year to come, and continue with its gradual h<sub>2</sub>o+ image rebranding programme to inject a fresh image to the brand. The first of the rebranded shops opened in Shatin in August of this year, to a good reception.

In addition, Erno Laszlo, another of the Group's retail brand, enjoyed a significant 56.5% increase in retail sales over the year. Three new outlets were opened in excellent locations, including one of them was opened in the prestigious prime location of Hysan Place located in Causeway Bay, and the Group continues to explore further high-end opportunities for Hong Kong expansion of this promising brand range.

On the other hand, the Group's beauty services business, made up primarily of Oasis Beauty, Glycel and Oasis Spa, performed exceptionally well over the year, with promising developments in both Hong Kong and the PRC. In Hong Kong, Oasis Beauty opened two new service outlets during the year. A further Oasis Beauty outlet was opened in November 2012, and two more are at the planning stage. Oasis Spa, also managed to generate a 21.8% increase in turnover for the year. The success of the three Oasis Beauty outlets in Beijing translated into a 90.1% increase in revenue for the year, an extremely encouraging result especially in terms of preparing for the launch of the Oasis Beauty franchise in the PRC next year.

Looking ahead, the Group is moving from a quantity-based to a quality-based approach to promote our premium image and maintain a high level of brand reputation. We believe this will be an important key to success in our target higher-end retail market in the region. In addition, the Group plan to make the Hong Kong market the launching pad for product recognition and acceptance. Using the exposure and experience gained in Hong Kong, brands can then be introduced to the PRC market and elsewhere with a good level of brand momentum in place.

**Mr. Yu** concluded, “The Group’s dual retail/service strategy, straddling two separate but closely related business areas, should enable us to maintain a very solid position in the years to come. By taking advantage of the synergies and cross-selling opportunities between our retail products and beauty services, we believe we can create a value-added dual business model that will go far towards cement customer loyalty over the long term. Furthermore, the Group will continue to evaluate merger and acquisition opportunities that may add value to our business.”

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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 is one of the leading skincare and beauty groups in the Greater China region. Over the years, the Group has established an extensive sales and distribution network in the region. The Group operates with exclusive distribution rights for branded skincare products, including the renowned American “h<sub>2</sub>O+” and “Erno Laszlo” brands. To complement its existing business strategy as a branded products distributor, the Group has completed acquiring “Glycel” in May 2010 including the trademarks, assets and business operations. Glycel is a premium Swiss anti-aging skincare brand with trademark registration in over 60 countries. The group operates a total of 37 retail outlets for the above 3 brands. In addition to its retail businesses, the Group also operates spa and beauty centres as well as medical beauty centres businesses under the brand names of “Oasis Spa”, “Oasis Beauty”, “Aqua Beauty”, “Oasis Homme”, “Glycel” and “Oasis Medical Centre”. These represent a total of 32 beauty centres including Hong Kong and Mainland China, providing a full spectrum of professional beauty services to customers. For more information, please visit [www.wateroasis.com.hk](http://www.wateroasis.com.hk)

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