

Water Oasis Group Limited Announces 2012/13 Final Results

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Strengthen the Core and Seed for the Future**FINANCIAL HIGHLIGHTS**

- In the year under review, Group's turnover reduced by 23.7% to approximately HK\$629.0 million as compared with that of last year. This was mainly due to the loss of distributorship of h₂O+ in the People's Republic of China (the "PRC") and Taiwan.
- Profit attributable to owners of the Company decreased by 49.6% to approximately HK\$34.3 million. This was mainly because of the one-off cost for additional remuneration and entitlements of certain employees for prior periods and the effect due to the decrease in sales as a result of the loss of h₂O+ distributorship in the PRC and Taiwan.
- Gross profit margin further increased to 88.6% from 80.7% due to greater contribution made by the Group's high margin products and beauty services.
- The Group further increased its weighting in beauty services segment with its sales mix stood at 68.2% in beauty services and 31.8% in retail sales.
- Recommended a final dividend of 1.5 HK cents per share.

OPERATION HIGHLIGHTS**Oasis Spa, Oasis Beauty/Aqua Beauty/Oasis Homme and Oasis Medical Centre**

- As at 30th September, 2013, the Group operated 3 spas under the name of Oasis Spa, 17 Oasis Beauty/Aqua Beauty/Oasis Homme centres and 5 Oasis Medical Centres in Hong Kong.
- Sales performances of Oasis Spa and Oasis Medical Centre performed well with a double-digit growth in sales.
- In PRC, 4 Oasis Beauty centres were under operation including the newly-opened centre in Super Brand Mall, a prime location in Pudong, Shanghai. Besides, the first franchise Oasis Beauty centre located in Zhejiang was opened in November 2013.

Glycel

- As at 30th September, 2013, there were 14 retail shops and skin spas operating in Hong Kong, including 5 outlets newly opened in the year under review. A new outlet was opened in October 2013 in Beauty Avenue located in Mongkok and another one is planned to be opened in the first quarter of 2014 in City Plaza, Taikoo Shing.
- In PRC, a Glycel retail standalone shop was opened in Shanghai IAPM in November 2013.
- The Group was the Title Sponsor of the Wai Yin Association Charity Ball 2013 under its Glycel brand. This has raised the profile of its corporate social responsibility activities.

h₂O+

- As at 30th September, 2013, there were 16 retail shops in Hong Kong, representing 5 h₂O+ outlets newly opened in the year under review. A new outlet located at Beauty Avenue was opened in October 2013.

Erno Laszlo

- Erno Laszlo has enjoyed a strong increase in sales in the year under review with its 6 outlets operating in Hong Kong as at 30th September, 2013. A new outlet located at Beauty Avenue was opened in October 2013 and another one is planned to be opened in

the first quarter of 2014 in City Plaza, Taikoo Shing.

- The Group has renewed its exclusive distribution right of Erno Laszlo in Hong Kong and Macau for seven years, taking its right through to the end of 2020. At the same time, it surrendered the distribution rights for Erno Laszlo for the PRC.

(Hong Kong, 18th December, 2013) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEx: 1161), a renowned skincare retail and beauty services group, announced the final results of the Company and its subsidiaries (the “Group”) for the year ended 30th September, 2013.

For the year ended 30th September, 2013, the Group’s gross profit margin showed an increase due to the greater contribution made by the higher-margin products and services, including its Glycel and Erno Laszlo brands and its beauty services businesses. However, the Group recorded a fall in overall turnover, primarily due to the full-year effects of the loss of the Group’s h₂O+ distributor rights for the PRC and Taiwan in 2012. Besides, the decrease in profit attributable to owners of the Company was also because of the decrease in sales as a result of the loss of h₂O+ distributorship in the PRC and Taiwan, as well as the one-off cost for additional remuneration and entitlements of certain employees for prior periods.

During the review period, a strong performance from the Group’s Hong Kong beauty services segment resulted in a noticeable change in the Group’s overall business mix by year-end. Contributions from beauty services rose from 51.5% in 2012 to 68.2% at 30th September, 2013. This shift in business mix was largely responsible for a rise in the Group’s gross profit margin, from 80.7% for 2012 to 88.6% for the year under review.

Basic earnings per share for the year amounted to 4.5 HK cents. The Group remains financially healthy with strong liquidity. Its bank balances and cash as at 30th September, 2013 amounted to approximately HK\$184.7 million, and the debt-equity ratio was approximately 11.4%. The Board of Directors has recommended a final dividend of 1.5 HK cents per share, bringing the full-year dividend to 4.0 HK cents per share (2012: 8.5 HK cents).

Ms. Stevie Wong, Chief Executive Officer of Water Oasis, said, “Despite the challenging market environment, some areas of our business performed acceptably, and some showed considerable promise for future development. We have been proactive in addressing the cost pressure issues and have managed to offset part of it through various initiatives. Overall, our sales performance in Hong Kong remains stable and is in the process of gradually strengthening.”

At 30th September, 2013, the Group was operating three high-end spas under the name of the Oasis Spa, the contribution from which rose by approximately 13% over last year. Its specialist Oasis Medical Centre performed even better, posting an increase of approximately 20% over last year’s results; this was achieved from a total of five Oasis Medical Centres across Hong Kong. Meanwhile, the Group’s Oasis Beauty, Aqua Beauty and Oasis Homme centres, of which 17 centres were operating in the period, maintained a steady performance. In China, the Group’s three existing

Oasis Beauty centres in Beijing have achieved full-year profitability. The Group opened one new Oasis Beauty outlet in the Pudong area of Shanghai in February 2013. Also, the Group launched its first franchised Oasis Beauty centre in the country in the second half. The Group's strategy for proceeding with its PRC beauty operations will remain a cautious step-by-step process, involving careful analysis of different approaches.

Looking at the Group's own Glycel brand, sales of Glycel brand continued strong in Hong Kong, such that the brand increased its contribution to the Group's overall revenue, registering an approximately of 13% increase in sales revenue for the year. Growth in sales in Hong Kong was particularly noticeable. Currently, Glycel's products and services are sold in 14 retail outlets and skin spas in Hong Kong, against 9 at the same time last year. In the PRC, there are six Glycel outlets, including one that is operating under a franchise arrangement, and a further two in Taiwan.

Continuing last year's significant upward trend, sales of Erno Laszlo in Hong Kong rose by almost 30% over the previous year. This year's growth was achieved despite one Erno Laszlo outlet (in Shatin) being closed during the period, suggesting strong future potential for the brand. Shortly after the end of the period covered by this report, the Group renewed its Hong Kong and Macau distributorship agreement for its Erno Laszlo brand for a further seven years, taking its right through to the end of 2020, while, at the same time, it surrendered the distribution right for the PRC as the Group decided to focus its resources in Hong Kong as well as on its beauty services business.

As for h₂O+, it experienced a decline over the year, which proved to be the primary driver of the Group's overall dip in sales for the year. The number of h₂O+ outlets across Hong Kong remained stable; two h₂O+ outlets were closed during the year due to non-viable lease renewal terms, but these were balanced by five new h₂O+ outlets being opened in new locations. The new outlets are in promising locations including Plaza Hollywood, PopCorn, Tai Po Mega Mall, Olympian City and V city with reasonable rental terms, and the Group is expecting them to perform well. As at 30th September, 2013, the Group was operating 16 h₂O+ outlets in Hong Kong.

Looking ahead, the Group's focus will be on "strengthening the core and seeding for the future"; that is, identifying and investing in those aspects of its business that offer most potential for long-term innovation and growth. This will involve greater efforts in marketing its core businesses in the coming year, allied with concerted innovation efforts that will help keep the Group's offerings fresh and ever-changing. Given the increasing contribution of its beauty services, their higher profit margins and lower costs pressure, this segment will be of particular concern for the Group going forward.

The Group's Hong Kong retail business will also be given the close attention it needs to continue to thrive. As key brands Glycel, h₂O+ and Erno Laszlo continue to attract consumers, the Group will continue to roll out strategically placed, cost-effective new stores. New stores for these brands will shortly be opened in the popular upper middle-class shopping malls. In China, controlling costs will be a priority in the first instance, to ensure that brand development efforts are not undermined by unnecessary expenditure. The focus will be on achieving profitably through cautious and prudent

management.

Ms. Wong concluded, “The motto of “Strengthen the core and seed for the future” will set the tone for the coming year, with close attention being paid to investing in maximizing the current portfolio, especially in Hong Kong, while at the same time developing new directions for the business as a whole. Most importantly, the coming months will be a time of developing and testing new business models for us that will boost profitability, better integrate the retail and services sides, and provide a sounder basis for further growth in China.”

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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 “h₂O+” 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 40 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 Skin Spa” and “Oasis Medical Centre”. These represent a total of 35 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

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