

**Water Oasis Group Limited Announces 2012/13 Interim Results**

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***Increasing demand for beauty services segment***  
***Satisfactory performance from Hong Kong-based brand portfolio*****Financial Highlights**

- In the period under review, Group's Turnover reduced by 36.9% to approximately HK\$314.3 million as compared with that of last year. This was mainly due to the loss of distributorship of h<sub>2</sub>O+ in the People's Republic of China (the "PRC") and Taiwan.
- Profit attributable to owners of the Company decreased by 46.8% to approximately HK\$ 20.2 million. This included a 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 h<sub>2</sub>O+ distributorship. These were offset by the gain on fair value change of an investment property held by the Group.
- The Group enjoyed a strong half in terms of its beauty services segment with its sales mix stood at 35.4% retail sales and 64.6% beauty services.
- Recommended an interim dividend of 2.5 HK cents per share.

**Operation Highlights****Glycel**

- As at 31st March, 2013, there are 11 outlets operating in Hong Kong including 7 located in shopping centres and 4 in commercial buildings. This includes the newly opened outlet in Plaza Hollywood. A further 5 are planned for opening in Hong Kong, comprising 3 that are to be opened after 31st March, 2013 within this financial year and 2 will be expected to open in the first half of next financial year.
- There were 6 self-managed and 1 franchised department store counters under operation for Glycel in PRC. A flagship store located at Shanghai IAPM is planned to open in the second half of this financial year. Besides, 4 counters were under operations in Taiwan as at 31st March, 2013.
- Glycel was the Title Sponsor of the Wai Yin Association Charity Ball 2013 that was held in May 2013. This charitable work initiative has given Glycel an extra boost to its strong public perception.

**h<sub>2</sub>O+**

- During the period under review, a new h<sub>2</sub>O+ shop located at Plaza Hollywood was opened in December 2012 adding up to 14 stores operating in Hong Kong as at 31st March, 2013. An additional 5 h<sub>2</sub>O+ outlets are expected to be up and running after 31st March, 2013 within 2013.

**Erno Laszlo**

- Erno Laszlo has enjoyed an exceptionally strong increase in sales in the first half with its 7 outlets operating in Hong Kong as at 31st March, 2013.

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

- As at 31st March, 2013, the Group operated 3 Oasis Spa, 18 Oasis Beauty/Aqua Beauty/Oasis Homme centres and 5 Oasis Medical Centres in Hong Kong.
- Sales performances were increased for Oasis Spa and Oasis Medical Centre and cash receipts from Oasis Beauty including Oasis Homme and Aqua Beauty have also risen.
- During the period under review, a new Oasis Beauty centre located in Kwun Tong and a new Oasis Medical Centre located in Mongkok were opened in November 2012.
- 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 Group's plan for establishing an Oasis Beauty franchise network in PRC is also in progress.

(Hong Kong, 28th May, 2013) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEx: 1161), a renowned skin-care retail and beauty services group, announced the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st March, 2013.

For the six months from 1st October, 2012 to 31st March, 2013, the Group recorded an inevitable year-on-year fall in sales by 36.9% to approximately HK\$314.3 million, mainly due to the termination of its h<sub>2</sub>O+ distributorship rights, and all related operations, in the PRC and Taiwan in 2012. Profit attributable to owners of the Company decreased by 46.8% to approximately HK\$20.2 million. This included a 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 h<sub>2</sub>O+ distributorship. These were offset by the gain on fair value change of an investment property held by the Group.

The Board has resolved to declare an interim dividend of 2.5 HK cents per share (2012: 4.5 HK cents per share).

Positively speaking, the Group saw increasing demand for the Group's beauty services segment during the period under review, resulting in the Group's sales mix standing at 35.4% retail sales and 64.6% beauty services. Cash reserves remain robust, and plans are in place to aggressively expand the number of retail outlets in Hong Kong and Mainland China. In addition, the introduction of a new Enterprise Resource Planning (ERP) system looks set to improve efficiencies across the board.

The Group's self-owned Glycel brand continued to go from strength to strength, enjoying a double-digit increase in sales for the period over the previous one. There were 11 Glycel outlets in Hong Kong, 7 outlets in PRC and 4 in Taiwan at period end. . A further 5 outlets are planned for opening in Hong Kong, comprising 3 that are to be opened after 31st March, 2013 within this financial year and 2 will be expected to open in the first half of next financial year. The strong

positive public perception of the brand in Hong Kong is also being given an extra boost by recent charity work initiatives associated with the Glycel name. For example, Glycel was the Title Sponsor of the Wai Yin Association Charity Ball 2013, held in May 2013. By building up a Hong Kong momentum for the brand, the Group is confident that further Mainland success will follow in due course. Momentum should be boosted when the Group's flagship Glycel store opens its outlet in Shanghai IAPM, a prime shopping location in the city.

h<sub>2</sub>O+ sales remained reasonable in Hong Kong, Macau and Singapore. Sales in Hong Kong were down due to lower store numbers but this shortfall will be made up as more new stores are planned to open in the months to come. There were 14 h<sub>2</sub>O+ outlets in operation as at period end. An additional 5 new h<sub>2</sub>O+ outlets are expected to be up and running after 31st March, 2013 within 2013, including 3 in popular New Territories shopping malls in Tai Po (Mega Mall), Tuen Mun (V City) and Tseung Kwan O (The Edge) plus 2 in major Kowloon malls, namely Langham Place and Olympian City. The Group has adopted strategy of switching store locations to more cost-effective ones as leases expired to counteract the increasing rental pressure in Hong Kong.

Meanwhile, the Group's Erno Laszlo brand has enjoyed an exceptionally strong first half, based on sales from 7 branches throughout Hong Kong. One further branch is planned for later in the year. Application of the Health Permit Product Registrations in Mainland China is still in progress and the Group has planned to commence operation when the Health Permit Product Registrations are ready.

Sales performances were up for Oasis Spa and Oasis Medical Centre, and cash receipts from Oasis Beauty, including Aqua Beauty and Oasis Homme, have risen too. The Group had opened a new Oasis Beauty centre in Legend Tower, Kwun Tong in November 2012, which add up to 18 outlets of Oasis Beauty, including Aqua Beauty and Oasis Homme, as at 31st March, 2013. Besides, a new Oasis Medical Centre was also opened in Mongkok in November 2012. As at 31st March, 2013, the Group operated 3 Oasis Spa centres and 5 Oasis Medical Centres in Hong Kong. In the PRC, the Group's 3 Oasis Beauty outlets in Beijing performed steadily, with small increases in sales. In addition, a new flagship beauty outlet was opened in the prime location of Super Brand Mall in Shanghai Pudong in February 2013, operating with encouraging performance for only a few months, which expands its presence to a second major Mainland city. The Group will proceed cautiously with its beauty services expansion, including its plans for establishing an Oasis Beauty franchise network.

With a strong foundation in place and a clear plan of development for the second half of the year and beyond, the Group is confident about its directions and potential for future growth. Given its plans to open a significant number of new stores in coming months, and its increased focus on the service sector, it may still take time for the Group to make up the shortfall in sales as a result of the termination of the h<sub>2</sub>O+ distributorship in the PRC and Taiwan.

On the other hand, the Group will proactively in reviewing shop locations, closing outlets where rentals are not cost effective and often relocating them to more economical venues in vicinity. In addition, the Group shall explore and open more new stores that will be located in areas in which the Group has not had previous exposure, opening up significant potential new markets.

Furthermore, Glycel will continue to commission new products from its Swiss laboratory to expand the Glycel product range. Besides, the Group is also planning a revamp of the brand's packaging in order to add an even stronger sense of elegance and sophistication to its brand 'feel'. At the same time, the Group will be working to expand the presence of its other popular brands, h<sub>2</sub>O+ and Erno Laszlo, by expanding their store networks and continuing to explore new product development options.

As always, the Group remains alert to the possibilities of acquiring new brands and services complementary to its current portfolio, through merger or acquisition as appropriate.

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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 42 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 34 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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