



Water Oasis Group Limited Announces 2013/14 Annual Results Profit Surges 47.6% to HK\$45.6 million

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Strengthen the Momentum : Transform and Innovate

FINANCIAL HIGHLIGHTS

- For the year under review, Group's turnover increased by 8.0% to approximately HK\$679.0 million as compared with that of last year. This was mainly attributable to the improvement in our beauty services segment performance for all our brands. This increase represented a remarkable growth in momentum of sales by 5.3% and 10.6% for the first and second half of the year respectively when compared with that of same period last year.
- Gross profit margin increased to approximately 89.5% from 88.6% due to greater contribution made by the Group's high margin products and beauty services.
- Profit for the year increased by 47.6% to approximately HK\$45.6 million was mainly attributable to the strong growth in the Group's beauty business operations and lower losses as a result of the closure of our Taiwan's operation in this financial year, as well as the absence of the one-off additional staff costs and convertible bond interest expense recorded in last financial year, however, this was offset by the relatively higher property-related revaluation gain recorded last year and the reversal of the deferred tax assets in this financial year that had been previously recognized as a result of the closure of the Group's China department store concession counter operations.
- Excluding all one-time impacts on both financial years including the one-off additional staff costs, property-related revaluation gain and the reversal of deferred tax assets, the Group's profit for the year of 2014 increased significantly by 193.0%, representing a strong improvement made in operations.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 70.5% in beauty services and 29.5% in retail sales.
- Recommended a final dividend of 5.0 HK cents per share.

OPERATION HIGHLIGHTS

Oasis Spa, Oasis Beauty (including Aqua Beauty/Oasis Homme) and Oasis Medical Centre

- As at 30th September, 2014, the Group operated a total of 14 Oasis Beauty centres, 3 Oasis Spa centres and 5 Oasis Medical Centres, along with 2 Aqua Beauty centres and 1 Oasis Homme centre in Hong Kong, while in the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchised outlet located in Zhejiang.
- The Group's service sector in Hong Kong performed well, with beauty services sales growing by around 11.6% on average and good profitability. Particularly outstanding were the performances of the Oasis Beauty, Oasis Medical Centre and Oasis Spa outlets.
- A new Oasis Medical Centre and Oasis Homme beauty centre were opened in Central Entertainment Building in October 2014, next to our newly opened Glycel Premier Spa where it has not previously had a presence. Apart from these new openings, the Group has an existing Oasis Spa outlet in the building. This new arrangement will help strengthen brand recognition, as well as improving the cost-effectiveness of staffing arrangements.

Glycel

- As at 30th September, 2014, there were 16 Glycel outlets in operation, including our newly opened flagship Glycel Premier Spa located in Central Entertainment Building opened in

September 2014. Besides, 2 new stores were opened in Beauty Avenue in Langham Place in Mongkok and in Cityplaza shopping mall in Taikoo Shing during this financial year.

- Sales performance of Glycel was encouraging, especially on beauty services side, representing an increase of 18.9% in this financial year when compared to that of last year.
- The Group also launched a new skincare device “Glycel 42°C Mobile Skin Therapist” under the brand of Glycel which proved to be a very successful new stream of revenue.
- The Group had closed down those under-performing or loss-making outlets in the PRC and had ended all its Glycel operations in Taiwan.
- Glycel continued to be one of the key Sponsors of the Wai Yin Association Charity Ball and the charitable work initiative has given Glycel an extra boost to its strong public perception.

Erno Laszlo

- As at 30th September, 2014, there were 8 Erno Laszlo outlets in Hong Kong including the store that was opened in March 2014 in Cityplaza shopping mall in Taikoo Shing.
- The Group had achieved solid success in establishing the Erno Laszlo brand in Hong Kong proven by its excellent growth in sales by approximately 24.5% when compared with last year’s.
- The Group’s distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

h₂O+

- The Group has re-engaged longtime brand spokesperson, local celebrity Ms. Joey Yung, as the ‘face’ of h₂O+ as well as of Oasis Beauty, a move which will further help to inject fresh excitement into the brand and to rebuild the momentum of h₂O+ in Hong Kong.
- As at 30th September 2014, there were 16 h₂O+ outlets in operation including Hong Kong and Macau and the Group had surrendered its very small Singapore h₂O+ distributorship operation in July 2014 in order to refocus its resources on the Hong Kong market development.

(Hong Kong, 17th December, 2014) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEx: 1161), a renowned beauty services and beauty retail group, announced the final results of the Company and its subsidiaries (the “Group”) for the year ended 30th September, 2014. The Group enjoyed solid success in achieving both top line and bottom line growth across its operations. Profit for the year and profit for the year after setting aside all one-off factors increased significantly by 47.6% and 193.0% respectively. Basic earnings per share for the year amounted to 6.3 HK cents (2013: 4.5 HK cents).

For the year ended 30th September, 2014, the Group recorded a rise in overall turnover of approximately 8.0% compared with its turnover for 2013, largely achieved in its core geographical market of Hong Kong. This was primarily the result of the strong performance of its core beauty services segment, for which turnover rose by approximately 11.6%, with retail turnover remaining at a similar level to last year’s. As suggested by the contribution to turnover, the Group’s core beauty services drove performance over the year, with the ratio of beauty services to retail standing at 70.5% to 29.5% by the end of the year, up from 68.2% to 31.8% at the same time last year. This change was also largely responsible for a further rise in the Group’s gross profit margin, from 88.6% last year to 89.5% for the year under review.

The Group further improved its bank balances and cash levels as at 30th September 2014 to approximately HK\$243.4 million, while its current ratio was 0.9:1 and its debt-equity ratio was 9.4%. The Board of Directors has recommended a final dividend of 5.0 HK cents per share, bringing the full-year dividend to 6.0 HK cents per share (2013: 4.0 HK cents).

Ms. Stevie Wong, Chief Executive Officer of Water Oasis, said, “Over the past twelve months, we have taken a number of significant steps in terms of reorganizing and rationalizing our brand portfolio, refocusing our resources, identifying growth areas, and planning for consolidation and expansion. Most significant has been the major rethinking we have undertaken over the past year on the best ways to leverage our ‘Strengthen the Core, Seed for the Future’ theme to take our Group’s businesses forward in innovative and effective ways. The steps we have taken to realize this vision are what have, I believe, driven this year’s encouraging bottom line, and I expect that we will see them achieve an even greater transformation in both our Group’s performance and our brand equity in the years to come. ”

Business Review

A major advance in the year for the Group was its ‘Oasis Group Restage Campaign’, launched in August 2014. The Restage Campaign drew together all the businesses under the Oasis brand – both service and retail – into a single coherent and connected unity, playing on their inter-relationships and potential synergies to develop a coherent, well-rounded Oasis portfolio. The opportunities for cross-fertilization between the brand segments is immense, and the Group are further cultivating that with the launch of a single Oasis membership card which can be used by customers for any of its Oasis-branded business sectors.

During the year under review, each of the Group’s major beauty service brands was able to achieve double-digit growth. The Group’s high-end Oasis Spa business achieved turnover growth of approximately 11.3% in the year, while Oasis Beauty turnover jumped by 12.0% in Hong Kong. The Oasis Medical Centre segment also enjoyed exceptional success over the year, achieving year-on-year turnover growth of approximately 10.6%.

The Group’s Glycel brand performed well in Hong Kong throughout the year with turnover growth in retail and beauty services of approximately 8.6% and 18.9% respectively. During the year, the Group relocated its Central branch of Glycel to a much larger location in the Entertainment Building in Central. The result is a new flagship Glycel Premier Spa for Central, sitting directly alongside an Oasis Medical Centre in a proximity that enables customers to enjoy a complete one-stop service. By the end of the year, the Group was operating 16 Glycel outlets in Hong Kong, up from 14 at the same time last year. To better manage the potential of this brand for growth in Hong Kong, the Group decided to terminate its 2 Taiwan Glycel outlets, and also exit the PRC market by closing down its 5 self-managed and 1 franchised PRC Glycel outlets.

As to Erno Laszlo, the Group has achieved solid success in establishing and growing this premium brand in Hong Kong, and in the year under review further accelerated sales to achieve excellent growth of approximately 24.5%. In the first quarter, the Group extended its distributorship agreement for Erno Laszlo in Hong Kong until 2020. By the end of the year, the Group was operating 8 Erno Laszlo outlets in Hong Kong, two more than at the same time last year. One of these was newly opened in March 2014 in the upmarket Taikoo Shing area.

One of the Group's focuses in the year under review was to rebuild the momentum of h₂O+ in Hong Kong. A number of measures taken have been successful in reigniting local excitement for these unique marine-based skincare products. At the end of the year, there were 15 h₂O+ outlets in Hong Kong, compared with 16 at the same time last year. During the year, the Group surrendered its distribution rights for h₂O+ in Singapore and closed its single h₂O+ outlet there in order to refocus its resources fully on the Hong Kong market.

Prospects

The past year has not seen rapid expansion of beauty service centres and retail outlets, but rather a carefully planned, deliberate strategy of increasing brand visibility and respect, focusing on strengths of quality and prestige, and channeling resources into places where they will achieve the best returns.

Already one of the top listed companies for beauty services in Hong Kong, the Group believes that its initiatives can and will drive it to the next level of leadership, which is one of its primary goals. As it settles into its role as a Hong Kong beauty services leader, the Group will begin also to plan for its longer-term goals of becoming widely recognized as a pioneering beauty company in the Greater China region and Asia generally, with a strong portfolio of both beauty services and product offerings. This will also involve exploring wholesale opportunities for its brands, and strengthening the Group's e-commerce platform, which at this stage has plenty of potential for further development. New channels for promoting its brands will also be explored; one such will be exposure on the new HKTV shopping channel, to be launched in December 2014.

Ms. Wong concluded, "The steps we have taken in the past year only represent the beginning of a fundamental shift in approach. The end of the process will see Water Oasis transformed from a retail distributor to a well-rounded service-driven group with a strong portfolio of self-owned brands and beauty services entities. The new motto of "Strengthen the Momentum : Transform and Innovate" expresses our commitment to the path we are travelling in, while also restates our readiness to embrace innovation and change to achieve our goals. The seed has indeed been sown for more selective, profitable expansion in the future, and the Group is convinced that the harvest ahead is one that will meet the expectations of all its investors and other stakeholders."

Water Oasis Group Limited
17th December, 2014

About Water Oasis Group Limited

Water Oasis Group Limited and its subsidiaries (the “Group”) is a leading beauty services provider and beauty product retailer in Hong Kong. The Group was founded in 1998 and was listed on the Main Board of The Stock Exchange of Hong Kong in 2002, from its beginnings the Group has been one of Hong Kong’s most innovative companies in the industry, developed numerous ‘firsts’. As at 30th September 2014, the Group’s core beauty services, combined under its “Oasis” brand name, including 14 “Oasis Beauty”, 3 “Oasis Spa”, 5 “Oasis Medical Centre”, 2 “Aqua Beauty”, 1 “Oasis Homme” and 1 “Oasis Mini Nail by Angelababy”. Alongside its Oasis brands is the Group’s self-owned Glycel brand with 16 outlets which includes a range of spas providing high-end beauty services within a resort-style ambience, along with outlets selling Swiss-made products. Separately from its beauty services, the Group also sells and distributes selected high-quality, world-renowned skincare brands in Hong Kong. They are Erno Laszlo, the first doctor’s skincare brand from New York, as well as h₂O+, a marine-derived skincare brand from the United States, which has 8 and 15 outlets respectively. In Macau, the Group maintained its single Oasis Beauty Store, which sells h₂O+ and Glycel brand products. For more information, please visit www.wateroasis.com.hk

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