

[For Immediate Release]

Water Oasis Group Limited Announces 2013/14 Interim Results

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***“Strengthen the Core, Seed for the Future”
Creating Solid Foundation for Future Development*****Financial Highlights**

- For the period under review, Group's turnover increased by 5.3% to approximately HK\$330.9 million as compared with that of last year. This was mainly attributable to the improvement in our services segment performance for all our brands.
- Gross Profit margin increased to approximately 89.8% from 87.4% due to greater contribution made by the Group's high margin products and beauty services.
- Profit for the period decreased by 74.4% to approximately HK\$4.8 million, mainly because of the fact that the relatively higher property-related revaluation gain recorded last year and the additional payment obligations in respect of the remuneration and entitlement of certain employees, were not applicable this year, together with the deferred tax assets previously recognized have been reversed as a result of the change in the Group's China department store concession counter operations.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 70% in beauty services and 30% in retail sales.
- Recommended an interim dividend of 1.0 HK cents per share.

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

- As at 31st March, 2014, the Group operated 14 Oasis Beauty centres, 3 Oasis Spa centres and 5 Oasis Medical Centres in Hong Kong, along with 2 Aqua Beauty centres and 1 Oasis Homme centre, while in the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchise operation.
- The Group's service sector in Hong Kong performed well during the period, with beauty services sales growing by around 15% on average and good profitability achieved from all above-mentioned units. Particularly outstanding were the performances of the Oasis Beauty and Oasis Spa outlets, which each managed growth of at least 15%.
- Oasis Medical Centre is going to open a new centre in Entertainment Building Central in the autumn of 2014, where it has not previously had a presence.

Glycel

- As at 31st March, 2014, there were 16 Glycel outlets in operation, including 2 new stores opened in Beauty Avenue in Langham Place in Mongkok and in Cityplaza shopping mall in Taikoo Shing.
- In autumn of 2014, the Group will relocate its Glycel store to a new venue in the Entertainment Building in Central and open a new Oasis Medical Centre on the same premises, a location which is approximately three times larger than the current one. Apart from the new Glycel store and new Oasis Medical Centre, the Group has an existing Oasis Spa outlet in the building. The new arrangement will help strengthen brand recognition, as well improving the cost-effectiveness of staffing arrangements.
- The Group had closed down those under-performing or loss-making department store concession counters in the PRC, leaving the standalone shop in Shanghai IAPM, while the

Group has ended all its Glycel operations in Taiwan.

- Recently, the Group opened a larger outlet in Macau which has brought greater capacity for Glycel as well as for h₂O+.
- 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.

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.
- In Hong Kong and Macau, there were 18 h₂O+ outlets in operation at the end of the period under review despite the Group will relinquish its very small Singapore h₂O+ operation in coming months, in order to focus more effectively on local development.

Erno Laszlo

- As at 31 March 2014, there are 8 Erno Laszlo branches around Hong Kong. A new store was opened in March 2014 in Cityplaza shopping mall in Taikoo Shing and has met with early success.
- The Group’s distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

(Hong Kong, 28th May, 2014) --- 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, 2014.

For the six months ended 31st March, 2014, the Group’s turnover rose by 5.3% to approximately HK\$330.9 million as compared with the same period last year. The Group began to see the early fruits of its new strategy “strengthen the core, seed for the future”, with the sign of a definite shift back towards growth, especially in the Hong Kong market. In Hong Kong, growth in sales of 7.0% was more than double the city’s average economic growth for the period.

Gross profit margin maintained at around 89.8%, while profit for the period fell by 74.4% to HK\$4.8 million. This drop was purely the result of one-off factors, primarily due to the fact that the relatively higher property-related revaluation gain recorded last year, together with the additional payment obligations in respect of the remuneration and entitlement of certain employees, were not applicable this year, and also because of a change in the Group’s China department store concession counter operations, under which the deferred tax assets previously recognized have been reversed. If these one-time impacts are set aside, the Group’s profit for the period shows an encouraging shift from a declining trend to a 250.1% growth for the period.

The Group retains a strong cash position of over HK\$200 million as at 31st March, 2014. The Board has resolved to declare an interim dividend of 1.0 HK cents per share for the six months ended 31st March, 2014 (six months ended 31st March, 2013: 2.5 HK cents per share).

Performance from the Group's range of beauty services was strong across the board, which was supported by encouraging results from the retail side. As at 31st March, 2014, the balance of sales mix from the Group's beauty services sales and retail sales stood at approximately 70% to 30%, up from around 65% to 35% at the same period last year.

The Group's service sector in Hong Kong performed impressively with beauty services sales growing by around 15% on average and good profitability was achieved from Oasis Spa, Oasis Beauty/Aqua Beauty/Oasis Homme and Oasis Medical Centre. Sales performances of Oasis Beauty and Oasis Spa outlets were particularly outstanding which each managed growth of at least 15%. The Group operated 14 Oasis Beauty centres, 3 Oasis Spa and 5 Oasis Medical Centres in Hong Kong, along with 2 Aqua Beauty centres and 1 Oasis Homme centre as at 31st March, 2014. Also, the Group has begun a process of gradual refurbishment of its Oasis Beauty stores, refreshing their image and upgrading their environment. Besides, the Group is in the process of opening a new Oasis Medical Centre in the Entertainment Building in Central, which is due to open in the autumn of 2014. In the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchise operation. The Beijing outlets are profitable and performing satisfactorily, while the newer Shanghai outlet, which holds plenty of potential, is in the process of establishing itself. The Group is looking to consolidate its presence in these major centres before seeking further expansion.

The Group's self-owned Glycel brand continued to perform well throughout the period. There were 16 outlets operating in Hong Kong including a new store in the Cityplaza shopping mall in Taikoo Shing. In autumn of 2014, the Central outlet in the Bank of East Asia Building will be relocated to the Entertainment Building, a new venue with area approximately three times larger than the current one. During the review period, the Group has made some adjustments to its Glycel operations by closing down under-performing or loss-making department store concession counters outside Hong Kong. As a result, there was just 1 Glycel retail shop remained operating in the PRC, located in Shanghai IAPM, while the Group has ended all its Glycel operations in Taiwan. Yet, a larger outlet has been opened recently in Macau which has brought greater capacity for Glycel as well as for h₂O+.

The h₂O+ brand business retains a large and loyal customer base in Hong Kong. There were 18 h₂O+ outlets in operation in Hong Kong and Macau as at 31st March, 2014. The Group has firmly turned its focus on Hong Kong and Macau, and is likely to relinquish its very small Singapore h₂O+ operation in coming months, in order to focus more effectively on local development. To inject fresh excitement into the brand, the Group recently re-engaged longtime brand spokesperson, local celebrity Ms. Joey Yung, as the 'face' of h₂O+ and Oasis Beauty.

As for Erno Laszlo, the brand has demonstrated steady growth in the half and continues to consolidate its position with its 8 branches around Hong Kong. The new store opened in Cityplaza shopping mall in Taikoo Shing has met with early success. The Group's distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

In short, the initiatives of the past few months have restored momentum to the Group and given it renewed energy for new growth. As always, the Group will remain alert to possible new business opportunities and investments, but only within the overall focus of "strengthening the core". Looking ahead, the Group is beginning to explore the use of wholesale channels and TV shopping channel for distributing its brands and has been discussing the possibility of some large retail chains in both Hong Kong and the PRC stocking its brands on a wholesale basis.

Ms. Stevie Wong, Chief Executive Officer of Water Oasis, concluded, “Overall, the position of the Group halfway through the 2013/14 financial year is a good one, we have vigorously pursued the new strategy of “strengthen the core, seed for the future” over the past six months, and seen clear signs of success already beginning to emerge. Once further adjustments to operations have been made, including the final stages of weeding out underperforming or unprofitable operations, we will stand unencumbered and ready to plan for future growth without complications. The Group is continuing to control costs to drive growth and profitability.”

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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 Limited is one of the leading skincare and beauty groups. 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 over 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 at least 30 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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