

[For Immediate Release]

Water Oasis Group Limited Announces 2015/16 Interim Results

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***Consistently Pursuing a Carefully Planned Strategy of Transformation
within a Challenging Environment*****FINANCIAL HIGHLIGHTS**

- For the period under review, Group's turnover decreased by 11.1% to approximately HK\$315.5 million as compared with that of last year, primarily due to the generally weak economic situation in Hong Kong, affecting the purchasing sentiment and habits of consumers across the board.
- Gross profit margin remained similar at approximately 90.4%, as against 90.6% for the same period last year.
- Due to high gross profit margin of our business, almost 90% of the decrease in sales amount in this period goes straight affecting the bottom line. Although measures had been taken to respond to the decrease in sales including the reduction of advertising, depreciation and rental by 12.2%, 11.8% and 5.4% respectively as reflected in this period's results, staff costs did not reflect immediately in line with such due mainly to the usual fixed nature part of the salary of our business. These resulted in profit for the period decreased by 72.0% to approximately HK\$9.4 million.
- The Group's sales mix remained unchanged at approximately 73.3% in beauty services and 26.7% in retail sales when compared with that of last year.
- While cash receipts decreased by 6.7% when compared with that of the same period last year, the Group retained a strong cash position of approximately HK\$276.2 million as at 31st March, 2016, representing an increase of HK\$25.3 million over same period last year.
- Recommended the payment of an interim dividend of 1.0 HK cent per share.

OPERATION HIGHLIGHTS**Beauty Services Business**

- The Group's Hong Kong beauty services segment faced a generally difficult economic environment in Hong Kong, which led to reins on consumer spending and slower uptake and consumption patterns of its beauty services packages.
- As at 31st March, 2016, the Group operated 8 Glycel Skinspas, 14 Oasis Beauty centres, 2 Aqua Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centre, and 3 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC.

Retail Business

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy and two licensed brands, h₂O+ and Erno Laszlo.
- Sales of the Group's Glycel brand products dipped in the period, in line with the general pressure on higher-end retail products in Hong Kong. DermaSynergy and Eurobeauté have each been stand-out performers in the period under review earning high margin. By comparing sales between two periods, DermaSynergy had increased by fourfold since its start in February 2015, and Eurobeauté had also achieved a double digit sales growth in sales when compared with that of same period last year.
- Sales of products under the Erno Laszlo and h₂O+ brands dropped in the period, partly reflecting the reduction in the number of outlets in Hong Kong of these two brands.
- As at 31st March 2016, there were 7 Glycel, 5 Erno Laszlo and 9 h₂O+ outlets operating in

Hong Kong as well as 1 further Glycel outlet in Macau. A new h₂O+ outlet was opened in March this year in Windsor House, while 3 Erno Laszlo and 6 h₂O+ outlets were closed during the period mostly due to underperformance and cost efficiency reasons.

Outlook

- New initiatives in data analytics and digital operations including digital marketing, online booking and cross-border e-commerce are opening up alternative ways forward in terms of building stronger customer bases and reaching out to new customers, resulting in improving efficiency, revenue and profitability.
- In order to optimise the cost structure effectiveness, the Group will devote greater efforts to cost control. While yielding positive results in leasing, capital expenditures and marketing expenses, the Group is now considering possible options of structural adjustment of labour costs.

(Hong Kong, 27 May, 2016) --- Water Oasis Group Limited (“Water Oasis” / the “Company”) (HKEx: 1161), a renowned beauty product retail and beauty services group, announced the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st March, 2016.

During the review period, the Group was operating within a challenging economic environment characterised by reduced retail and discretionary spending among local consumers, slower consumption patterns among users of beauty services, and a marked fall-off in Chinese tourists. For the six months ended 31st March, 2016, the Group recorded a turnover of approximately HK\$315.5 million and a profit for the period of HK\$9.4 million. Its gross profit margin remained similar at around 90.4%, as against 90.6% for the same period last year. Due to high gross profit margin of our business, almost 90% of the decrease in sales amount in this period goes straight affecting the bottom line. Although measures had been taken to respond to the decrease in sales including the reduction of advertising, depreciation and rental by 12.2%, 11.8% and 5.4% respectively as reflected in this period’s results, staff costs did not reflect immediately in line with such due mainly to the usual fixed nature part of the salary of our business. These resulted in a decrease in profit for the period by 72.0%. The sales mix of the Group’s beauty services and retail sales stood at 73.3% to 26.7%, exactly the same ratio as one year earlier.

While cash receipts have also decreased by 6.7% compared with the same period last year, the Group retained a strong cash position of approximately HK\$276.2 million as at 31st March, 2016, which represents an increase of HK\$25.3 million over its cash in hand 12 months earlier. The Board has resolved to declare an interim dividend of 1.0 HK cent per share for the six months ended 31st March, 2016 (six months ended 31st March, 2015: 4.0 HK cents per share).

In the period under review, the Group’s beauty services segment faced a generally difficult economic environment in Hong Kong, which led to reins on consumer spending and slower uptake and consumption patterns of its beauty services packages. As a result, turnover by comparison with the previous period fell by approximately 11.0%. The downturn was experienced right across the Group’s service brands.

Although year-on-year its results were down, the Group’s two high margin brands DermaSynergy and Eurobeauté have each been stand-out performers in the period under review. DermaSynergy, a professional medical beauty product that is being marketed under the Oasis Medical Centre since February 2015, experienced more than fourfold sales growth, when comparing the sales performed during these two periods, and is proving to be an exceptional addition to the Group’s product portfolio. Meanwhile, the Eurobeauté momentum is testimony to the Group’s ability to identify and develop brands and products.

In order to optimise the cost structure effectiveness, the Group will devote greater efforts to cost control. While yielding positive results in leasing, capital expenditures and marketing expenses, the Group is now considering possible options of structural adjustment of labour costs.

Looking ahead, **Ms. Stevie Wong, Chief Executive Officer of Water Oasis** commented, “The Group is planning and executing carefully for the next phase in the strategic transformation of its business and operation model. We are working realistically within a difficult environment, remaining responsive to changes, and consistently pursuing the planned strategies and innovation. While the near future remains challenging, these efforts of strengthening the fundamentals will expect to yield results as the economy improves.”

The Group is now investing in a process of transforming its business model into one which is much more data-driven than in the past. This will enable it to expand its customer range to create a wider base that is less affected by economic ups and downs and less reliant on a relatively smaller segment of high-spending customers. The data now becoming available is proving very valuable in achieving new customer conversions and finding new leads, and already the “conversion rate” according to which new trial customers become regular buyers is considerably higher than it was previously. In the light of the data becoming available, the Group is also developing new entry level treatment packages and plans to penetrate different customer segments to cater for customers across a wider demographic range.

Another important innovation that is opening up new growth possibilities for the Group is its move into digital marketing, which is leading to widening exposure across social media networks. Its registration system for product trials has become more sophisticated and responsive, leading to a steep increase in the numbers of potential customers applying online to take part. In addition, the online booking process for beauty service treatments has been simplified and streamlined, encouraging more people to make bookings. Increasingly, too, the Group is leveraging popular beauty bloggers and other opinion leaders to mention and recommend its products and services, leading to widening exposure across social media networks.

On the retail front, apart from consolidating and optimising its stores, the Group is also looking towards a number of positive refreshment opportunities in the year ahead. It is also beginning to explore the possibilities of cross-border e-commerce through its collaboration with a major online shopping platform. As always, the Group is also constantly looking out for creative possibilities for growth, both through product and business development initiatives and through strategic collaboration or acquisition options.

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About Water Oasis Group Limited

The Group is a leading beauty services provider and beauty product retailer in Hong Kong. Founded in 1998 and 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 within its industry, and has been responsible for numerous "firsts". Coupling a clear vision with a constant impetus for development and transformation, the Group has expanded over the years into an esteemed provider of beauty services along with a strong product portfolio of self-owned and licensed brands. Already a leading player in the territory, the Group aims to become a regional leader in its field across Greater China. For more information, please visit <http://www.wateroasis.com.hk/>

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