



Water Oasis Group Limited Announces 2017 Interim Results

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Continues Sales Mix Adjustment and Focus on Higher Margin Service Businesses

FINANCIAL HIGHLIGHTS

- For the period under review, the Group's turnover increased by 3.5% to approximately HK\$326.5 million as compared with that of last year. This was mainly due to the increased contribution from our service segment which offsets the decrease in retail sales performance.
- The Group's sales mix rose to approximately 77.2% in beauty services and 22.8% in retail sales, comparing to 73.3% and 26.7% with that of same period last year.
- Gross profit margin for this period increased to approximately 91.6% from 90.4% for the same period last year.
- A series of prudent cost control measures had been implemented to increase competitiveness which included the closure of a number of unprofitable outlets. For the period under review, all four expenditure areas of advertising, depreciation, rental and staff costs were successfully reduced by 12.3%, 20.7%, 8.2% and 3.7% respectively when compared with that of the same period last year, resulting in an increase in profit for the period by 270.3% to HK\$34.9 million.
- The Group retained a strong cash position of approximately HK\$365.2 million as at 31st March, 2017, representing an increase of HK\$89.0 million over same period last year.
- Recommend the payment of an interim dividend of 4.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- The Group's Hong Kong beauty services segment performance was strong across all its brands which included Glycel, Oasis Beauty, Oasis Spa, Oasis Homme, and Oasis Medical Centre. By comparison with the same period last year, the Group's Oasis Spa and Oasis Medical Centre put in good performances, each achieving double-digit growth in sales, while Glycel and Oasis Beauty both also had a good single digit growth. These positive results were sustained by the Group's commitment towards investing in the latest high-tech beauty equipment and new digital marketing tools.
- As at 31st March, 2017, the Group operated 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 2 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.
- The Group continued to close down underperforming retail outlets which included 4 H2O+ stores since the last interim period. Despite the effect of such closures on the sales performances by comparison with the same period last year, the bottom line showed positive results as a result of the reduction of both rental and staff costs on these non-profitable outlets.
- As at 31st March, 2017, the Group was operating 5 H2O+ outlets, 5 Erno Laszlo stores, 4 Glycel stores in Hong Kong as well as 1 further Glycel outlet and 1 Oasis Beauty Store in Macau.

Outlook

- The Group will continue to explore opportunities for online commerce in its industry with great potential and continue to be look closely at new equipment for its beauty outlets, and upgrade and expand its product as well as equipment range to maintain its status at the head of the market.

(Hong Kong, 26th May, 2017) --- 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, 2017.

During the review period, the Group continued to face a very flat Hong Kong market. Despite this environment the Group improved its performance year-on-year across all the key indicator levels of turnover, gross profit margin, costs to revenue, and bottom-line profitability. The Group's turnover rose by 3.5% to approximately HK\$326.5 million. This was primarily due to a continued shift in the Group's sales mix, as the trend towards a higher contribution from the services sector continued. The Group's gross profit margin also improved slightly, rising to 91.6% as against 90.4% for the same period last year, as a result of the service sector occupying a higher proportion of the sales mix. Prudent cost controls implemented by the Group led to profit for the period rising by 270.3% to HK\$34.9 million (six months ended 31st March, 2016: HK\$9.4 million).

The Group maintained a strong cash position, having approximately HK\$365.2 million in cash in hand as at 31st March, 2017. The Board has resolved to declare an interim dividend of 4.0 HK cents per share for the six months ended 31st March, 2017 (six months ended 31st March, 2016: 1.0 HK cent per share).

Mr. Tam Siu Kei, Alan, Chief Executive Officer of Water Oasis, said, “A key to this comparatively successful performance was the Group's ongoing commitment to its long-term strategic positioning initiatives, which over the past couple of years have seen ever-greater focus being placed on the Group's higher-margin service businesses.”

Business Review

As at the end of March, 2017, the sales mix of the Group's beauty services and retail sales stood at 77.2% to 22.8%, a considerable change from the 73.3% to 26.7% ratio one year earlier. In tandem with this, the Group continued with a series of prudent cost-control measures designed to increase its competitiveness. In total, advertising costs were reduced by 12.3%, depreciation costs by 20.7%, rental and staff costs by 8.2% and 3.7% respectively.

Beauty Services Business

Performance was strong across this stable of brands as the Group further increased its focus on the beauty services sector. In particular, the Group's high-end Oasis Spa and its advanced aesthetic medical beauty Oasis Medical Centre put in good performances, each achieving double-digit growth in sales by comparison with the same period last year. The positive results from the beauty services business were sustained by the Group's commitment to investing in the latest high-tech beauty equipment.

The Group's digital marketing strategies are proving highly effective in targeting new customers for its beauty services. This is reflected in the ever-increasing number of new customers acquired by the Group for its services business, especially for Oasis Medical Centre and Oasis Spa. There was also a comparative rise in the spending of new customers purchasing treatment packages.

Retail Business

On the retail side, the Group has continued with its policy of closing down underperforming retail outlets. Since the last interim period, 4 H2O+ stores have been closed. Sales of all the Group's retail brands, except Glycel, experienced drops by comparison with the same period last year, as a result of the flat retail market conditions and keen competition within the retail market. However, the Group was able to achieve a positive bottom line.

Outlook

The Group expects to continue exploring the opportunities that are arising for online commerce in its industry, with the expectation that this relatively untapped area has great potential in Hong Kong. It made an encouraging start in February 2017 with its development of a new online trade platform called O~KO!beauty. The platform now specialises in making a range of sought-after Korean skincare products exclusively available in Hong Kong, sourced directly from Korea by the Group. Currently promoted through a dedicated Facebook page, the trendy and affordable O~KO!beauty products mainly target young women who are increasingly influenced in their consumption habits by social media trends and the recommendations of key opinion leaders, areas that the Group is further tapping into through its marketing initiatives. The official website for O~KO!beauty was launched in May 2017, and now offers a more comprehensive range of products to the customers targeted by the Group. Although this new business is still in the very early stages, feedback from users has been very positive for the first half of the financial year.

Looking ahead, **Mr. Tam** concluded, "We will continue to look closely at new equipment for our beauty outlets, and upgrade and expand our equipment range where necessary to maintain our status at the head of the market. Moreover, Water Oasis will explore any new skincare and beauty products that have the potential to expand and complement its existing range. Given that we have continued our successful performance of the second half of the last financial year into 2016/2017, even in a depressed market – something many of our peers have been unable to do – we have confidence that we remain on the right track for future growth."

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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 Limited 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 www.wateroasis.com.hk

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