

[For Immediate Release]

Water Oasis Group Limited Announces 2018 Interim Results

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*Maintains a Positive Momentum due to
Standout Performance of Beauty Services*

FINANCIAL HIGHLIGHTS

- For the period under review, the Group's turnover was increased by 12.2% to approximately HK\$366.5 million when compared with that of last year. Both retail and service segment recorded a positive growth in terms of sales amount.
- The Group's sales mix rose to approximately 77.7% in beauty services and 22.3% in retail sales, comparing to 77.2% and 22.8% with that of same period last year.
- Gross profit margin for this period further increased to approximately 91.9% from 91.6% of the same period last year due to higher service segment contribution.
- For the period under review, advertising and staff costs were increased by 27.5% and 6.2% respectively, while the rental and depreciation were decreased by 2.7% and 14.1% respectively. The increase in advertising was to maximise exposure so as to further increase the sales momentum of its entire stable of brands. Higher staff cost was due to increased service staff offering better service quality to customers and higher commission due to higher sales performance. Reduced rental was due to the previous closure of some unprofitable outlets and partly due to careful rent negotiations for renewals.
- Profit for the period amounted to HK\$ 60.4 million, representing an increase of 73.2% over the same period last year.
- The Group retained a strong cash position of approximately HK\$452.7 million as at 31st March, 2018, representing an increase of HK\$87.4 million over the same period last year.
- Recommend the payment of an interim dividend of 3.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- The Group's beauty services business include Oasis Beauty, Oasis Spa, Oasis Homme and Oasis Medical Centre as well as Glycel.
- All beauty services brands operated under the Group performed well in the period under review, enjoying single- or double-digit growth year-on-year and contributing to the rise in the ratio of services to retail business.
- As at 31st March, 2018, the Group operated 8 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 and an Oasis Beauty Store in Macau.

Retail Business

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy, and two licensed brands, H2O+ and Erno Laszlo.
- For the period under review, H2O+ experienced a fall in sales partly due to the closure of unprofitable outlet in the previous period, while most of the retail brands operated by the Group experienced positive growth. Standout performers were the Group's owned Eurobeauté and DermaSynergy brands as well as Erno Laszlo.
- As at 31st March, 2018, the Group operated 5 H2O+ outlets, 5 Erno Laszlo stores, 5 Glycel stores in Hong Kong as well as 1 further Glycel outlet in Macau.

Outlook

- The Group will continue to launch new products and latest technology equipment treatments as well as to enlarge the channels of distribution by putting more initiatives and efforts on marketing focusing on two major self-owned stable of brands including Glycel and Oasis brand portfolio, gaining maximum exposure for these major new products and treatments among a wide range of potential customers of all ages.

(Hong Kong, 25th May, 2018) --- 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, 2018.

Despite a relatively lacklustre Hong Kong market, the Group’s continual investment in new treatments, products and technology proved very attractive to Hong Kong consumers, helping it to register a satisfying increase in turnover and associated profitability. The Group’s turnover rose by 12.2% to approximately HK\$366.5 million. This was driven by continued strong performances from the Group’s stable of beauty services under its Oasis and Glycel brands, leading to a further positive adjustment in the sales mix of services and retail for the period. Gross profit margin also improved slightly, rising to 91.9% as against 91.6% for the same period last year, reflecting the increasing contribution of its services sector. These factors, together with careful management of the Group’s costs over the period, resulted in profit for the period rising by 73.2% to HK\$60.4 million (six months ended 31st March, 2017: HK\$34.9 million). The Group maintained a strong cash position, having approximately HK\$452.7 million in cash in hand as at 31st March, 2018. The Board has resolved to declare an interim dividend of 3.0 HK cents per share for the six months ended 31st March, 2018 (six months ended 31st March, 2017: 4.0 HK cents per share).

Mr. Tam Siu Kei, Alan, Chief Executive Officer of Water Oasis, said, “The positive results of the past six months in a very average market suggest that we are moving ahead along the right lines. We have a range of effective, well-run beauty services that not only deliver excellent results using the latest technology and equipment, but also give customers a sense of being well looked-after and cared for.”

Business Review

In the period under review, the Group’s ratio of service to retail business stands at 77.7% to 22.3%, up half a percentage point year-on-year. In terms of key areas of expenditure during the period, advertising expenditure rose in terms of amount spent by 27.5%, designed to maximise exposure for various major new products and services launched in the period and in the following months. Staff costs also rose in dollar terms against the previous year, by 6.2%, while rental costs and depreciation both fell year on year, by 2.7% and 14.1% respectively.

Beauty Services Business

The Group’s beauty services benefit from strong synergies as a result of being grouped under the umbrella ‘Oasis’ brand. Beauty services all performed well in the period under review, enjoying single- or double-digit growth year-on-year and contributing to the rise in the ratio of services to retail business. Oasis Spa, the Group’s high-end beauty treatment brand, performed especially well, but Oasis Beauty also turned in a strong performance in Hong Kong, and solid performances in the PRC. Meanwhile, Oasis Medical Centre and the Glycel Skinspa delivered good performances and further enhanced their client bases.

Considerable amounts were spent in the period on renovating and refurbishing the Group's existing Oasis Beauty and Oasis Spa centres to enhance the all-round quality of customer experience, and on purchasing new advanced beauty treatment technology and equipment, particularly for Oasis Medical Centre. Meanwhile, the Group has continued to leverage new technology and strong data analytics capabilities to enhance its marketing, communications and customer engagement activities.

Retail Business

Most of the retail brands operated by our Group experienced positive growth. Standout performers were the Group's owned Eurobeauté and DermaSynergy brands which experienced double digit sales growth, while Erno Laszlo brand also has a single digit growth in sales.

In October 2017, the Group focused substantial resources into the launch of a new group of Glycel products known as 'The Line'. These high-quality skincare products have met with a very positive and encouraging consumer response which is further consolidating Glycel's reputation in Hong Kong.

Outlook

Following up from its release of Glycel's 'The Line' series late last year, in April the Group launched the first in an innovative series of marketing materials for a new Glycel product, 'GLYCEL Swiss Essentials Essence Lotion' and its treatment 'GLYCEL Deluxe Swiss Essentials Signature Treatment', featuring the new 'face' of Glycel, actress and model Christine Kuo. Using a series of creative and innovative short commercially made short videos placed on popular online platforms, the Group is gaining maximum exposure for these major new products and treatments among a wide range of potential customers of all ages. Apart from Glycel, the Group will also continue to spend more advertising efforts on Oasis brands focusing on Oasis Medical Centre and Oasis Beauty for their newly launched beauty equipment and treatment, including the 'PicoGenius' treatment that has been launched in March 2018.

Meanwhile, the Group is continuing to develop and enhance its e-commerce capabilities and sell a range of products online, in volumes that have grown strongly in recent times. Although this currently accounts for only a small proportion of its overall sales, the Group is aware of the growing importance of e-commerce and will continue to enhance its existing e-commerce channels.

Looking ahead, **Mr. Tam** concluded, "We will continue to enhance the digital and online services that are offered to support the beauty services sector, and expanding our customer base. On the retail side, we have proved very adept at identifying skincare and beauty products that suit a wide range of Hong Kong consumers, and we are constantly refreshing our lines and images. Our ongoing exploration of new modes of market engagement and new market segments has seen its products and services expanding to reach an ever-wider range of consumer groups including, increasingly, a younger generation of women from their mid twenties upwards. With these proven strategies in place, we will continue to focus on what we can do well, and stick to the commitment to quality, comfort and service which has served it so well to date. We are confident that the months ahead hold new potential for further 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. For more information, please visit www.wateroasis.com.hk

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