



[For Immediate Release]

Water Oasis Group Limited Announces 2017/2018 Annual Results

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Achievement through Advancement in Beauty Technology, Marketing and Digital Engagement as well as Products and Services

FINANCIAL HIGHLIGHTS

- For the year under review, the Group's turnover increased by 9.9% to approximately HK\$708.4 million when compared with that of last year. This was mainly due to the increased revenue contribution from both our service and retail segments.
- The Group's sales mix on beauty service segment rose to approximately 79.2% and retail segment of 20.8% in fiscal 2018, comparing with that of last year of 78.2% and 21.8%.
- Gross profit margin for the 2018 financial year increased to approximately 92.4% from 91.9% of last year.
- Marketing expenses and staff costs were increased by 60.4% and 5.4% respectively, while rental costs were decreased by 0.9% in the financial year of 2018. Increased marketing expenses were spent intentionally to increase exposures and sales momentum to our Group's various brands. Higher staff cost was due to increased service staff offering better service quality to customers. Reduced rental was due to the previous closure of some unprofitable outlets and partly due to careful rent negotiations for renewals. All these major costs were considered reasonable when expressed as a percentage to turnover.
- Capital expenditures spending for fiscal 2018 increased to HK\$63.8 million from HK\$15.2 million. This is because the Group has purchased a property of HK\$34.5 million in Yuen Long which the Group had rented previously. The remaining increase was spent on purchasing new beauty equipment and renovations of our beauty salons.
- The Group retained a strong cash position of approximately HK\$376.6 million as at 30th September, 2018.
- Recommended the payment of a final dividend of 5.5 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- In the year under review, the Group's Hong Kong beauty services segment performance was strong with a double digit growth across Oasis brand portfolio including Oasis Beauty, Oasis Spa and Oasis Medical Centre, as well as Glycel. These positive results were driven by the Group's commitment on new treatment services and latest high-tech beauty equipment, complementing with the support on increased marketing efforts.
- Advertising efforts made in this fiscal year include Christine Kuo, our new image artist of Glycel brand launching new Glycel products and treatments as well as Joey Yung, promoting our new medical beauty treatment services for our Oasis Beauty and Oasis Medical brand treatments which gives public a wide publicity across different media.
- Two Glycel outlets were opened including a Glycel Skinspa in One Pacific Centre in Kwun Tong and a retail counter in YATA Taipo, whereas Glycel Yuen Long outlet had moved from Kolour to Yoho Mall. Oasis Beauty Store in Macau had moved to a larger sized space in a popular mall.
- As at 30th September, 2018, 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 and 1 Oasis Beauty Store in Macau.

Retail Business

- The Group's retail business includes three self-owned brands namely Glycel, Eurobeauté and DermaSynergy, and two licensed brands Erno Laszlo and H2O+.
- In the year under review, all retail brands recorded a positive growth in sales except H2O+. Among those, Eurobeauté performed especially well while H2O+ sales was decreased proportionately in line with the reduction in the number of outlets.
- As at 30th September, 2018, the Group operated 4 H2O+ outlets, 5 Erno Laszlo stores, 6 Glycel stores in Hong Kong and 1 further Glycel outlet in Macau.

Outlook

- The Group will continue to focus and improve on the business of the Group's beauty service, followed by the retail segment. This will be achieved by providing new beauty equipment and products, upgrading its beauty service environments and investing in targeted advertising in both old and new media so that more business will be generated from our customers.

(Hong Kong, 14th December, 2018) --- Water Oasis Group Limited ("Water Oasis" / the "Company") (HKEX: 1161), a renowned beauty product retail and beauty services group, announced today the annual results of the Company and its subsidiaries (the "Group") for the year ended 30th September, 2018 ("the year").

For the year, the Group delivered a highly positive performance across almost all areas of its business segments, achieving near double digit growth in a host of categories. As a result, overall turnover for the Group rose by 9.9% year-on-year, while its gross profit margin also lifted further to 92.4%, against 91.9% in 2017. As in previous years, this rise in gross profit margin reflected a further shift in the ratio of retail and service sales, with retail dropping to 20.8% from 21.8% a year earlier, and the higher-margin services segment rising to 79.2% (2017: 78.2%). Profit for the year rose by 37.2% year on year, as customers continued to respond enthusiastically to the array of services and products offered by the Group, while customer numbers grew as new advertising channels and methods proved their value. These were achieved in the face of a relatively uncertain macro economic environment, and bear witness to the Group's strong management skills and deep expertise in the industry. Basic earnings per share for the year amounted to 12.8 HK cents (2017: 9.1 HK cents).

The Group maintained a strong cash position, having approximately HK\$376.6 million in cash in hand as at 30th September, 2018. The Board has recommended the payment of a final dividend of 5.5 HK cents per share, bringing the full-year dividend to 8.5 HK cents per share (2017: 8.0 HK cents).

Mr. Tam Siu Kei, Alan, Chief Executive Officer of Water Oasis, said, "This has been a good year, and one in which many of the initiatives we have taken in recent times have borne fruit. We are moving ahead steadily even though the macro environment remains an uncertain one. The record performance we have posted this year gives us confidence that we are heading in the right strategic direction, and we will continue to strengthen and develop our Hong Kong business along similar lines going forward."

Business Review

Beauty Services Business

Oasis Beauty, Oasis Spa and Oasis Medical Centre all continued to perform strongly and generated double digit growth in Hong Kong over the year. Leading the way was Oasis Beauty, which performed very strongly in Hong Kong, while also achieving satisfactory growth in the Group's three self-managed PRC outlets. Oasis Medical Centre also made significant gains on the back of its regular introduction of advanced beauty equipment sourced from global manufacturers.

Oasis Medical Centres recorded a growth of 10.2% in turnover, and proved to be one of the Group's major growth drivers. Much of the growth came from the positive effects of constant upgrading of the medical equipment.

The Group's self-owned Glycel brand recorded sales growth of 8.7%. The adoption of Christine Kuo as the brand face, in conjunction with the launch of new products such as 'The Line' series and the 'Red Water' series, along with a new Deluxe Swiss Essentials Signature Treatment, have together sustained the momentum of brand sales and helped establish Glycel firmly as a serious player in the competitive high-end skincare market.

Retail Business

Erno Laszlo achieved single-digit growth in sales based on strong promotion and the steady introduction and marketing of new products. Eurobeauté performed strongly, riding on the increases for Oasis Beauty services. The DermaSynergy brand, meanwhile, also performed well.

Outlook

The Group's efforts in recent times to strengthen its marketing efforts, expand its customer profile target, and enhance the technology used in its key services, has put it in a strong position in relation to macro-economic trends.

Water Oasis expects to maintain focus on innovative digital marketing and continue directing resources into this sector. The Group's beauty services segment will remain the focus of overall business activities. New beauty technologies and equipment will be imported regularly. Water Oasis has also been working to establish online presences for some of its products, including its own online-only brand O~KO!beauty. The Group has been expanding the payment tools. In the second half of the year, WeChat Pay was introduced to supplement its existing payment options.

Looking ahead, the Group will maintain business efficiency and spend prudently, leveraging its absence of debt and strong cash position. At the same time, the Group intends to continue its forward momentum in terms of sourcing new beauty equipment and products, upgrading its beauty service environments, and investing in targeted advertising in both old and new media to expand its public profile. These investments are already reaping positive rewards.

Mr. Tam concluded, "Our positive results for 2017/18 are a clear sign that our business strategies are on the right track. Our beauty services and products are successfully reaching a wide variety of consumers due to innovative digital marketing strategies. Our sourcing and adoption of new technology is helping the Group establish a strong niche as a professional beauty services company. All along, our attention to customer care is a fundamental commitment that is never compromised. With these advantages, we are looking forward to another active and effective year ahead."

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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 while continuing to hold a strong product portfolio of self-owned and licensed brands. For more information, please visit www.wateroasis.com.hk

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