Water Oasis Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31st MARCH 2009

HIGHLIGHTS

- Group's turnover increased by 26% to approximately HK$502 million. Both retail and services businesses achieved a double-digit percentage increase in turnover

- Profit for the period of the Group achieved illustrious results of 30% growth than that of same period last year which amounted to approximately HK$45 million

- Profit for the period from retail businesses in Mainland China achieved a record high results, representing a double-digit percentage increase as compared with the same period last year

- Continuous expansion of ~H_2O+ retail outlets in Mainland China and 203 outlets were opened at the end of May 2009

- Operations of Yves Rocher, the French number one botanical beauty brand, in Mainland China were commenced in September 2008 and a total of 41 outlets were opened at the end of May 2009

- Water Oasis Group has been appointed to be the exclusive distributor of the prestigious first dermatologist's skin-care brand "Erno Laszlo" for Hong Kong and Mainland China. Operations in Hong Kong are expected to commence in June this year

- Recommend an interim dividend of 8.0 HK cents and a special dividend of 2.0 HK cents per share

The Board of Directors (the "Board") of Water Oasis Group Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 31st March 2009.

The unaudited consolidated results have been reviewed by the Company's Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information ("Interim Financial Information") is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31st March	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Turnover	2	**501,546**	398,267
Purchases and changes in inventories of finished goods		**(125,742)**	(94,678)
Other income		**10,142**	4,201
(Decrease) increase in fair value of investment properties		**(5,000)**	8,300
Staff costs		**(129,475)**	(108,556)
Depreciation of property, plant and equipment		**(12,914)**	(10,807)
Other expenses		**(178,403)**	(154,199)
Profit before taxation		**60,154**	42,528
Taxation	3	**(14,984)**	(7,779)
Profit for the period	4	**45,170**	34,749
Attributable to:			
Equity holders of the Company		**43,206**	32,637
Minority interests		**1,964**	2,112
		45,170	34,749
Dividends	5	**36,956**	36,608
Earnings per share			
Basic	6	**11.7 HK cents**	9.1 HK cents
Diluted	6	**11.7 HK cents**	9.0 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31st March 2009** *HK$'000*	Audited As at 30th September 2008 *HK$'000*
Non-current assets			
Intangible assets		**884**	1,125
Investment properties		**28,700**	33,700
Property, plant and equipment		**41,441**	43,905
Prepaid lease payments		**75,406**	75,452
Rental deposits and prepayments		**17,875**	17,175
Goodwill		**966**	966
Deferred tax assets		**3,364**	4,418
Financial assets at fair value through profit or loss		**–**	17,328
		168,636	194,069
Current assets			
Inventories		**77,182**	65,941
Prepaid lease payments		**90**	90
Financial assets at fair value through profit or loss		**–**	4,203
Trade receivables	7	**91,421**	73,312
Prepayments		**20,461**	26,654
Other deposits and receivables		**22,153**	16,078
Tax recoverable		**86**	–
Bank balances and cash		**123,979**	141,423
		335,372	327,701
Current liabilities			
Trade payables	8	**9,536**	11,898
Accruals and other payables		**83,866**	86,329
Receipts in advance		**151,118**	170,242
Secured mortgage loan – due within one year		**2,603**	2,529
Tax payable		**15,819**	17,744
		262,942	288,742
Net current assets		**72,430**	38,959
Total assets less current liabilities		**241,066**	233,028
Capital and reserves			
Share capital		**36,956**	36,608
Reserves		**145,873**	144,053
Equity attributable to equity holders of the Company		**182,829**	180,661
Minority interests		**13,259**	8,715
Total equity		**196,088**	189,376
Non-current liabilities			
Pension obligations		**407**	407
Secured mortgage loan – due after one year		**40,908**	42,265
Deferred tax liabilities		**3,663**	980
		241,066	233,028

Notes:

1. Basis of preparation and principal accounting policies

Basis of preparation

The Condensed Consolidated Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

The Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September 2008.

Principal accounting policies

The Condensed Consolidated Financial Statements have been prepared under the historical cost convention except that financial instruments and investment properties are stated at fair values.

The accounting policies used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the annual financial statements for the year ended 30th September 2008.

In the current period, the Group has applied, for the first time, the following new interpretations ("new interpretations") issued by the HKICPA, which are effective for the Group's accounting period beginning on or after 1st October 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new interpretations has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

Certain new and revised standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st October 2009. The Group has already commenced an assessment of their impact when they become effective and does not expect this will result in substantial changes to the Group's principal accounting policies.

2. Turnover and segment information

The Group is principally engaged in (i) the retail sales of skin-care products, (ii) provision of services in beauty salon, spa and other businesses. An analysis of the Group's turnover and contribution to profit for the period by business segments is as follows:

(a) Primary reporting format – business segments

	Retail		Services		Elimination		Group	
	Six months ended 31st March		Six months ended 31st March		Six months ended 31st March		Six months ended 31st March	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**357,575**	292,750	**143,971**	105,517	**–**	–	**501,546**	398,267
Inter-segment sales	**12,785**	13,112	**–**	–	**(12,785)**	(13,112)	**–**	–
Total	**370,360**	305,862	**143,971**	105,517	**(12,785)**	(13,112)	**501,546**	398,267
Segment results	**55,512**	51,145	**34,363**	20,928	**–**	–	**89,875**	72,073
Other income							**10,142**	4,201
(Decrease) increase in fair value of investment properties							**(5,000)**	8,300
Unallocated corporate expenses							**(34,863)**	(42,046)
Profit before taxation							**60,154**	42,528
Taxation							**(14,984)**	(7,779)
Profit for the period							**45,170**	34,749

(b) Secondary reporting format – geographical segments

	Turnover	
	Six months ended 31st March	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong and Macau	**209,571**	174,099
Mainland China	**261,139**	192,709
Taiwan	**26,374**	27,609
Singapore	**4,462**	3,850
	501,546	398,267

In respect of geographical segment reporting, sales are reported based on the countries/places in which the customers are located.

3. Taxation

	Six months ended 31st March	
	2009	2008
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**4,156**	3,674
Overseas taxation	**8,569**	6,269
Overprovision in prior years	**(1,478)**	(1,071)
Deferred taxation	**3,737**	(1,093)
	14,984	7,779

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the period, after setting off available tax losses brought forward from prior years.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

The People's Republic of China (the "PRC") Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2008: 33% from 1st October 2007 to 31st December 2007 and 25% from 1st January 2008 to 31st March 2008) of the assessable profit except that the assessable profit derived from the Waigaoqiao Free Trade Zone and Pudong New Area was taxed at a preferential rate of 20% (2008: 15%), which would gradually transit to 25% in 2012 pursuant to the relevant governmental notices.

Starting from 1st January 2008, 10% withholding tax was imposed on dividends payable to foreign shareholders out of profits generated by companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries accordingly.

4. Profit for the period

Profit for the period is stated after crediting and charging the following:

	Six months ended 31st March	
	2009	2008
	HK$'000	*HK$'000*
Crediting		
Interest income on bank deposits	**406**	965
Rental income	**1,399**	546
Charging		
Amortisation of intangible assets	**241**	170
Amortisation of prepaid lease payments	**46**	–
Decrease in fair value of financial assets at fair value through profit or loss	**–**	13,882

5. Dividends

	Six months ended 31st March	
	2009	2008
	HK$'000	*HK$'000*
Interim dividend proposed of 8.0 HK cents (2008: 8.0 HK cents) per share	**29,565**	29,286
Special interim dividend proposed of 2.0 HK cents (2008: 2.0 HK cents) per share	**7,391**	7,322
	36,956	36,608

At the Board meeting held on 16th June 2009, the directors declared an interim dividend of 8.0 HK cents (2008: 8.0 HK cents) per share and a special interim dividend of 2.0 HK cents (2008: 2.0 HK cents) per share (collectively referred to as the "Interim Dividend"). This proposed Interim Dividend is not reflected as a dividend payable in the Condensed Consolidated Financial Statements as it was declared after the balance sheet date.

6. **Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of approximately HK$43,206,000 (for the six months ended 31st March 2008: HK$32,637,000) and the weighted average number of 368,201,055 (for the six months ended 31st March 2008: 358,190,645) ordinary shares in issue during the six months ended 31st March 2009.

The calculation of diluted earnings per share for the period ended 31st March 2009 is based on the Group's profit attributable to equity holders of approximately HK$43,206,000 (for the six months ended 31st March 2008: HK$32,637,000) and the weighted average number of 368,201,055 (for the six months ended 31st March 2008: 358,190,645) ordinary shares in issue during the period plus the weighted average number of 1,030,920 (for the six months ended 31st March 2008: 5,019,898) ordinary shares, deemed to be issued at no consideration based on the assumption that all outstanding share options granted had been exercised at the beginning of the period or at the date of grant of the options if later.

7. **Trade receivables**

Details of the aging analysis are as follows:

	As at 31st March 2009	As at 30th September 2008
	HK$'000	*HK$'000*
0 to 30 days	**83,931**	67,011
31 days to 60 days	**5,900**	5,423
61 days to 90 days	**638**	178
Over 90 days	**952**	700
	91,421	73,312

Credit terms generally range from 30 days to 150 days.

Trade receivables are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi.

8. **Trade payables**

Details of the aging analysis are as follows:

	As at 31st March 2009	As at 30th September 2008
	HK$'000	*HK$'000*
0 to 30 days	**8,490**	10,349
31 days to 60 days	**1,046**	1,549
	9,536	11,898

Trade payables are mainly denominated in United States Dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group enjoyed a good performance in the six months ending 31st March 2009, achieving encouraging results in the face of a global financial downturn which has hit many other businesses in this industry very hard. The Group, by contrast, with its strong fundamentals and careful expansion policy contributed to its continued profitability. In fact the Group's performance has to date outstripped that of the previous year, indicating that its growth strategy is well suited to the current economic clime.

In terms of profitability, the profit on our China operations reached a record high, rising even above last year's result. Overall, the Group's profit for the period achieved good growth of HK$10 million, representing an increase 30% as compared with last year.

~H_2O+ Business

Mainland China

In Mainland China, the Group continued its steady, solid momentum of expansion by opening new ~H_2O+ outlets in popular shopping districts within major cities. As at the end of May 2009 it had a total of 203 outlets in Mainland China, representing a strong increase of 39 over the number reported at the end of May 2008. This expansion has been accompanied by the implementation of new efficient management and organisational structures in the Group's China operations, which have in turn led to improved efficiency and profitability.

Mainland China has been the key driver for the Group's financial results for some years now, and this situation is expected to carry on as expansion continues there. The Group's strategies for growth will therefore remain focused on Mainland China.

Hong Kong and Macau

In Hong Kong and Macau, meanwhile, the Group has enjoyed a consistent, steady presence, with business remaining stable despite global economic fluctuations. Demand for the Group's Collagen 8000 drink in these markets has prompted the Group to launch a related health supplement in tablet form, "Be Collagen Plus", in November 2008.

Store numbers have remained steady in Hong Kong and Macau, at 18 outlets, the most recent opening in Causeway Bay in December 2008. With controls over major expenditure items continuing, the Group has managed to keep costs of advertising, rent and staff under control.

Taiwan and Singapore

The Group continues to place its focus on achieving cost-effective operations in these two locations.

Yves Rocher Business

The Group is increasingly emerging as a multi-brand distributor, moving out from its core ~H_2O+ business to handle promising brands from other sources. One of the new brands that the Group is now handling is Yves Rocher, for which it has acquired the exclusive distribution rights for Mainland China. From a beginning of 7 outlets when it took on this brand, by the end of May 2009 the Group had 41, with the new outlets all being launched with a new fresh brand design. The new-look Yves Rocher has been well received by consumers, spurring further growth. Expansion to date has been rapid, and the Group has been acquiring some excellent department store locations thanks to its long history in Mainland China and the good relationships it has developed with many department store chains.

Neutrogena Business

The Group's Neutrogena distribution contract with Johnson & Johnson expired at the end of March 2009, following which the brand-owner paid the Group a satisfactory compensation sum. This has enabled the Group now to focus on developing and expanding other promising brands within the Mainland China market.

Spa and Beauty

As at the end of May 2009, the Group was operating 2 high-end "Oasis Spa" outlets and 17 mid-range beauty services centres under the brand names "Oasis Beauty", "Aqua Beauty" and "Oasis Homme" in Hong Kong. All of these have managed to achieve steady performances over the past six months. Their ability to provide customers with a wide range of top quality, highly professional beauty services has seen them build solid and loyal customer bases in recent years. Their value to the Group can be seen from the fact that they continue to contribute a significant proportion of the Group's turnover, amounting to approximately 23%. Recent new treatments and beauty packages the Group has put on offer have been widely recognised as being the best available in the market, helping keep the performance of its beauty sector ahead of targets. It is particularly notable that, in the current economic environment in which a number of beauty service providers have been forced to exit the market, the Group's own outlets have continued to experience steady growth.

In Mainland China, the Group continues with the 2 Oasis Beauty centres opened last year in Beijing, each in prime locations. These are establishing themselves and building up a strong brand image and reputation, and the Group anticipates that their performance will gradually improve further over time. The Group remains on the lookout for similar suitable locations for expanding this fledgling business, in Beijing and other major cities such as Shanghai and Guangzhou.

One other development in the Group's beauty services was the launch, in January 2008, of its first Oasis Medical Centre. This beauty treatment facility is based around the provision of specialist medical beauty advice and treatment, performed by high-level professionals who include a qualified doctor and trained therapists. It offers a wide range of specialised services, and has garnered a strong following. Its value is suggested by the fact that, despite being a recent innovation launched in January 2008 and requiring substantial set-up costs, it quickly achieved a positive bottom line and is now firmly profitable. With the Oasis Medical Centre having experienced a rapid growth rate over the past year, the Group sees further potential to expand this area of its beauty business, and has built up a substantial and valuable customer database for possible future growth.

Prospects

The Group has started the year well despite the gloomy economic situation, and is keeping a very close watch on consumer trends to ensure it responds quickly and effectively to any further market adjustments. The Group is also working hard to keep up the momentum it has created, especially in Mainland China, as it moves towards its target of becoming a multi-brand distributor. In Hong Kong, the global financial downturn has had a silver lining for the Group, enabling it to renew leases for its retail and spa and beauty premises at lower prices. The knock-on effect will be a further reduction in costs, translating into improved profitability in the coming future.

In balance sheet terms, the Group remains in the favorable position of being relatively cash-rich and enjoying a low level of gearing. This conservative position will prove its worth in the current less stable economic clime.

Retail Activities in Hong Kong and Mainland China

The Group's contract for distribution of its flagship ~H_2O+ brand for all regions was renewed and became effective starting in January 2009. It is continuing its steady expansion of ~H_2O+ outlets in Mainland China, a direction which has proved successful over the past few years. By the end of fiscal 2009, the Group aims to further increase the number of operating outlets, though its target number remains flexible as the Group weighs options and keeps a close eye on the economic situation. In Hong Kong, meanwhile, it aims to open two further ~H_2O+ outlets before the end of this fiscal year.

Some exciting new developments include the Group's recent obtaining of the exclusive distributorship rights for an international high-end skin-care brand "Erno Laszlo", for both Hong Kong and the PRC. The Group is very optimistic about this development, which targets a higher-spending clientele. The long-history brand was founded by a renowned Hungarian dermatologist Dr. Erno Laszlo in 1927 and is recommended by celebrities and Hollywood movie stars. It is expected to begin operations in June this year, beginning in Hong Kong, and the Group aims to market the brand through a number of complementary sales channels including specialty stores, shopping arcade outlets and in-store counters. The Group is also pushing ahead with the relevant procedures for registering the brand in Mainland China, and expects to launch the new products there next year.

The Group also owns a cosmetics brand, and is still progressing and finalising design features in preparation for beginning business in Mainland China by the end of 2009 or early next year.

Noting the strong market for quality health drinks, the Group built on the success of its Collagen 8000 drink by launching the health supplement Be Collagen Plus in November 2008, which has benefited from being sold under the ~H_2O+ brand name. This will be further supplemented by a new diet drink, "Slim Magic", scheduled for launch in June this year.

Beauty Services in Hong Kong and Mainland China

Oasis Beauty remains a strong performer, and to capture ongoing demand the Group plans to open one further Oasis Beauty centre in the New Territories later in the year.

Having experienced excellent early results from the first Oasis Medical Centre, the Group is already looking to launch a second such Centre, scheduled to open in July this year. It is expected that the new Centre, situated in the Group's heartland of Causeway Bay, will further promote and nurture demand for the specialist medical beauty services that the Group can provide.

In sum, the Group has a robust and proven policy of brand diversification and steady cautious expansion, and a continued focus on its core historical strengths in the beauty and health sectors. Its past successes bode well for planned future initiatives, as it undergoes a gradual transformation into a major multi-brand distributor across Greater China. The results of the period under review are most positive, especially given the economic pressures on many industries in recent months, and they bear testimony to the Group's good financial management, its strong cost controls creating cost effectiveness and efficiency, and its ability to plan and carry out realistic expansion and consolidation initiatives. These fundamental strategies will continue to drive its growth in the coming year.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of 8.0 HK cents per share and a special interim dividend of 2.0 HK cents per share for the six months ended 31st March 2009 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 10th July 2009. The Register of Members will be closed from 8th July 2009 to 10th July 2009, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim and special interim dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 7th July 2009. The relevant dividend warrants will be dispatched to shareholders on 23rd July 2009.

LIQUIDITY AND FINANCIAL RESOURCES

At 31st March 2009, the Group had net current assets of approximately HK$72 million (at 30th September 2008: HK$39 million).

The Group generally finances its operations with internally generated resources. As at 31st March 2009, the Group had cash reserves of approximately HK$124 million (at 30th September 2008: HK$141 million).

The Group continues to follow the practice of prudent cash management. The gearing ratio is approximately 22% (at 30th September 2008: 24%), expressed as a percentage of the secured mortgage loan over total equity of approximately HK$196 million (at 30th September 2008: HK$189 million).

The Group has little exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territory and United States Dollars. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering into foreign exchange forward contracts.

HUMAN RESOURCES

As at 31st March 2009, the Group employed 1,692 staff (at 30th September 2008: 1,680 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. There is no outstanding share option as at 31st March 2009 as all remaining share options were fully subscribed during the period.

The Group is committed to nuturing a learning culture in the organisation. Heavy emphasis is placed on training and development, as the Group's success is dependent on the effort of a skilled and motivated work force.

AUDIT COMMITTEE

The Company's Audit Committee comprises Dr. Wong Lung Tak, Patrick, J.P., Mr. Wong Chun Nam and Dr. Wong Chi Keung who are the independent non-executive directors of the Company. In establishing the terms of reference for this committee, the directors had made reference to the "Guide for the formation of an audit committee" issued by the HKICPA in December 1997.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31st March 2009 with management and discussed with the independent auditor on reviewing, internal control and financial reporting matters in respect of the Interim Financial Information.

REMUNERATION COMMITTEE

To comply with the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, a Remuneration Committee was established on 26th June 2006. The members of the Remuneration Committee comprise all independent non-executive directors of the Company and the Group's Human Resources Director, Ms. Lau Mei Yin, Ivy, and is chaired by Mr. Wong Chun Nam.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

INVESTMENT ADVISORY COMMITTEE

To establish better control on the Group's investment portfolio, an Investment Advisory Committee was established on 15th November 2007. The members of the Investment Advisory Committee comprise all independent non-executive directors of the Company and Ms. Yu Lai Si, executive director and chief executive officer of the Company, and is chaired by Dr. Wong Chi Keung.

The objectives of this Committee are to set guidelines on the portfolio mix of the Group's investments for the daily execution of investment decisions and monitoring of the investment portfolio. The Committee meets and reviews the investment directions and the portfolio mix as well as evaluating the performance of the investment portfolio.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the CG Code during the period.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", whereas Ms. Yu Lai Si, the Chief Executive Officer of the Group, has been carrying out the duties of both the Chairman and Chief Executive Officer since the establishment of the Group and the Company. The Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

Code Provision A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the review period.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Companies Information" and the designated website of the Company at www.wateroasis.com.hk respectively. The interim report of the Company for the period ended 31st March 2009 will be dispatched to the shareholders and published on the HKEX's and the Company's website in due course.

By order of the Board
Yu Lai Si
Executive Director and Chief Executive Officer

Hong Kong, 16th June 2009

As at the date of this announcement, the executive directors of the Company are Yu Lai Si, Tam Chie Sang, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping. The independent non-executive directors of the Company are Wong Lung Tak, Patrick, J.P., Wong Chun Nam and Wong Chi Keung.