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 31 MARCH 2010

FINANCIAL HIGHLIGHTS

- Group's turnover and profit for the period attributable to owners of the Company for the six months ended amounted to approximately HK$444.3 million and HK$24.2 million respectively.
- The performance of Oasis Medical Centres has been outstanding, achieving an increase of approximately 79% in turnover when compared with the same period last year.
- Turnover of Yves Rocher, although remains at an early stage, increased by approximately 184%.
- Recommend an interim dividend of 3.0 HK cents per share.
- Our Group has placed approximately 24.8 million shares and issued a HK$39.0 million Convertible Bond to an investment holding company within Darby Asia Mezzanine Fund II, L.P. ("DAMF II"), part of the private equity arm of the globally renowned Franklin Templeton Investments in April 2010.

OPERATION HIGHLIGHTS

- The Group had a total of 330 outlets including all brands in Mainland China as at the end of May 2010, representing an increase of 84 outlets when compared with that of same period last year.
- Launched the Group's first owned and operated brand JM Makeup on 1 April 2010.
- Acquisition of "Glycel" brand, a Swiss-developed anti-aging skin-care was completed on 28 May 2010 bringing new source of revenue contribution to the Group.
- A 7,500 square feet deluxe high-end Spa shall be opened in mid-June this year and a 2,500 square feet of Oasis Medical Centre has been opened in May 2010. Both centres are located at prime Harbour City location in Tsim Sha Tsui.

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 31 March 2010.

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 (the "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 34 ("HKAS 34") "Interim Financial Reporting".

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**444,275**	501,546
Purchases and changes in inventories of finished goods		**(108,151)**	(125,742)
Other income		**1,700**	10,142
Other gains or losses		**10,247**	(8,610)
Staff costs		**(123,623)**	(129,475)
Depreciation of property, plant and equipment		**(13,941)**	(12,914)
Other expenses		**(178,132)**	(174,793)
Profit before taxation		**32,375**	60,154
Taxation	3	**(8,032)**	(14,984)
Profit for the period	4	**24,343**	45,170
Profit for the period attributable to:			
Owners of the Company		**24,199**	43,206
Non-controlling interests		**144**	1,964
		24,343	45,170
Dividends	5	**22,919**	36,956
Earnings per share			
Basic	6	**3.3 HK cents**	5.9 HK cents
Diluted	6	**3.2 HK cents**	5.9 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 March **2010** *HK$'000*	2009 *HK$'000*
Profit for the period	**24,343**	45,170
Other comprehensive expense:		
Exchange difference arising on translation and other comprehensive expense for the period	**(24)**	–
Total comprehensive income for the period	**24,319**	45,170
Total comprehensive income for the period attributable to:		
Owners of the Company	**24,175**	43,206
Non-controlling interests	**144**	1,964
	24,319	45,170

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31 March 2010 HK$'000**	Audited As at 30 September 2009 HK$'000
Non-current assets			
Intangible assets		**820**	1,044
Investment properties		**134,200**	37,700
Property, plant and equipment		**32,990**	40,795
Prepaid lease payments		**–**	75,362
Rental deposits		**21,922**	18,984
Goodwill		**966**	966
Deferred tax assets		**6,117**	5,291
		197,015	180,142
Current assets			
Inventories		**90,122**	99,767
Prepaid lease payments		**–**	90
Trade receivables	7	**67,710**	72,031
Prepayments		**34,635**	24,511
Other deposits and receivables		**27,685**	15,527
Tax recoverable		**2,340**	253
Bank balances and cash		**153,738**	145,794
		376,230	357,973
Current liabilities			
Trade payables	8	**14,588**	21,547
Accruals and other payables		**106,023**	91,770
Receipts in advance		**198,844**	166,831
Secured mortgage loan – due within one year		**2,659**	2,631
Loans from a non-controlling shareholder of subsidiaries		**6,989**	–
Tax payable		**5,210**	11,976
		334,313	294,755
Net current assets		**41,917**	63,218
Total assets less current liabilities		**238,932**	243,360
Capital and reserves			
Share capital		**73,912**	36,956
Reserves		**102,063**	146,704
Equity attributable to owners of the Company		**175,975**	183,660
Non-controlling interests		**14,036**	12,930
Total equity		**190,011**	196,590
Non-current liabilities			
Pension obligations		**339**	339
Secured mortgage loan – due after one year		**38,249**	39,589
Deferred tax liabilities		**10,333**	6,842
		48,921	46,770
		238,932	243,360

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 30 September 2009.

Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 30 September 2009, except as described below.

During the six months ended 31 March 2010, a property originally classified as property, plant and equipment and prepaid lease payments was transferred to investment properties. The transfer was evidenced by end of owner-occupation of the property. The difference between the carrying amount and the fair value of the property at the date of transfer is recognised in the condensed consolidated income statement.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 October 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as set out in note 2.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the annual reporting period beginning on 1 October 2009.

The adoption of other new and revised HKFRSs has had no material effect on how the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Turnover and segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 October 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's Executive Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has it changed the basis of measurement of segment results. The Group's operating segments under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

(i) Retail – the retail sales of skin-care products
(ii) Services – provision of services in beauty salons, spa, medical beauty centres and other businesses

The following is an analysis of the Group's turnover and results by operating segment for the period under review:

	Retail		Services		Elimination		Total	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**318,534**	357,575	**125,741**	143,971	**–**	–	**444,275**	501,546
Inter-segment sales	**13,463**	12,785	**–**	–	**(13,463)**	(12,785)	**–**	–
Total	**331,997**	370,360	**125,741**	143,971	**(13,463)**	(12,785)	**444,275**	501,546
Segment results	**31,599**	55,512	**20,296**	34,363	**–**	–	**51,895**	89,875
Other income							**1,700**	10,142
Other gains or losses							**10,247**	(8,610)
Corporate costs							**(31,467)**	(31,253)
Profit before taxation							**32,375**	60,154

Segment results represent the profit earned by each segment without allocation of central administrative costs, directors' emoluments and finance costs. This is the measure reported to the Group's directors for the purposes of resource allocation and performance assessment.

3. Taxation

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**1,204**	4,156
Overseas taxation	**4,165**	8,569
Over provision in prior years	**(2)**	(1,478)
	5,367	11,247
Deferred taxation		
Current year	**2,665**	3,737
	2,665	3,737
	8,032	14,984

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period, after setting off available tax losses brought forward from prior years.

The People's Republic of China (the "PRC") Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2009: 25%) on the assessable profits except those profits derived from the Waigaoqiao Free Trade Zone and Pudong New Area which were taxed at a preferential rate of 22% (2009: 20%). The preferential rate would gradually increase to 25% by the year 2012 pursuant to the relevant governmental notices. On 28 November 2008, a subsidiary of the Group in Waigaoqiao Free Trade Zone has been qualified as an "operating centre" and has been entitled to certain tax reductions.

Taxation on remaining 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.

4. **Profit for the period**

Profit for the period is stated after crediting (charging) the following:

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Amortisation of intangible assets	**(224)**	(241)
Amortisation of prepaid lease payments	**(30)**	(46)
Increase (decrease) in fair value of investment properties	**15,343**	(5,000)
Interest income on bank deposits	**354**	406
Interest expenses on secured mortgage loan	**(444)**	(484)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(3,610)
Net exchange losses	**(165)**	(1,289)
Rental income	**1,057**	1,399
Share-based payment expense	**(5,096)**	–

5. **Dividends**

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend proposed of 3.0 HK cents (2009: 8.0 HK cents) per share	**22,919**	29,565
Special interim dividend proposed of nil (2009: 2.0 HK cents) per share	**–**	7,391
	22,919	36,956

During the six months period ended 31 March 2010, a dividend of 10.0 HK cents (2009: 11.5 HK cents) totalled approximately HK$36,956,000 (2009: HK$42,499,000) was paid to shareholders as the final dividend for the year ended 30 September 2009.

On 30 March 2010, the Company issued bonus shares on a one-to-one basis, resulted in the issue of 369,556,000 ordinary shares.

At the Board meeting held on 15 June 2010, the directors declared an interim dividend of 3.0 HK cents (2009: interim dividend of 8.0 HK cents and special interim dividend of 2.0 HK cents) per share. This proposed interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

6. Earnings per share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period attributable to owners of the Company	**24,199**	43,206

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**739,112,000**	736,402,110
Effect of dilutive potential ordinary shares in respect of share options	**9,115,251**	2,061,840
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**748,227,251**	738,463,950

The denominators for the purpose of calculating basic and diluted earnings per share for the six months ended 31 March 2009 have been adjusted to reflect the bonus issue of shares on a one-to-one basis in March 2010.

7. Trade receivables

The following is an aging analysis of trade receivables, presented based on the payment due date, net of allowance for bad and doubtful debts, as at the end of the reporting period:

	As at 31 March 2010	As at 30 September 2009
	HK$'000	*HK$'000*
0 to 30 days	**59,722**	59,898
31 days to 60 days	**4,381**	6,115
61 days to 90 days	**1,293**	1,099
Over 90 days	**2,314**	4,919
	67,710	72,031

Credit terms generally range from 30 days to 90 days.

8. **Trade payables**

The following is an aging analysis of trade payables, presented based on the payment due date, as at the end of the reporting period:

	As at 31 March 2010 *HK$'000*	As at 30 September 2009 *HK$'000*
0 to 30 days	**14,588**	19,054
31 days to 60 days	**–**	2,493
	14,588	21,547

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 31 March 2010, the Group's turnover decreased by 11% to approximately HK$444.3 million by comparison with the same period last year. The primary cause of this decrease was the ending of the Group's distribution agreement for the Neutrogena brand at the end of the second quarter of last financial year. Although the Group has acquired the new distributorship brands of Yves Rocher and Erno Laszlo, contributions from the sales of these two brands remain at an early stage, with both showing an ongoing upward trend. For the period under review, the mix of contribution from the Group's retail and service operations, in terms of turnover and segment results, remained at the same level as in the last financial year.

The Group's profit for the period attributable to owners of the Company for the six months ended 31 March 2010 was approximately HK$24.2 million, representing a decrease of approximately 44% when compared with the same period last year, after taking into account the amortisation costs of the option rights granted to Mr. Francis Leung's company, Luminary Capital Limited (the "Advisor").

Taking on a new role as brand owner

The first six months of the fiscal year have been dynamic and rapidly moving ones for the Group. After spending several years establishing itself in the retail market in China and consolidating its strengths as a brand distributor, the first half of this financial year has seen the Group move in important new directions and pick up the pace of its development by making the transition from brand distributor to multi-brand owner. As a brand-owner, the Group will have greater control over each of its brands, and will be in a better position to create long-term sustainable value for shareholders. Further, such controlled diversification will enable it to systematically expand its coverage and embrace new customer demographics.

To pursue its goal of developing into a successful multi-brand owner, the Group has identified two strategic initiatives. One is to develop its own brands; the other involves acquiring reputable brands through careful mergers and acquisitions ("M&A"). In the period under review, the Group has successfully pursued both of these routes. For some time now it has been developing its own cosmetic brand aimed at mass-market consumers on the Mainland, JM Makeup. Following a lengthy process of approval, registration and promotion, the first JM Makeup counter was opened in China on 1 April 2010. This represents the first self-owned brand of the Group to reach the market, and is a significant milestone in the Group's plans for the future.

As for brand acquisition, the Group acquired its very first self-owned brand via M&A strategies, Glycel, with the actual date of the acquisition falling just outside the review period. The whole acquisition was completed on 28 May 2010, and the deal involved the acquisition of the Glycel trademarks, operating assets and business operations for a cash consideration of HK$27.0 million. The Glycel brand and business is built around to a series of Swiss-developed anti-aging skin-care products. Glycel is a widely recognised and respected brand with a long history. Its trademarks are registered in over 60 countries worldwide, and it has good existing distribution channels in Hong Kong, where it has been sold for over 20 years. Given the Group's industry expertise and its established platforms for distribution and service delivery, particularly in Mainland China, Hong Kong and other Asian countries, the opportunities for growth through the Glycel brand are significant. The Group is confident that its new strategic direction will bear fruit in the near future as sales of its newly secured brand gradually pick up, and shareholder benefits will be maximised as a result.

In addition to its steps into brand ownership, the Group has been active in maintaining and promoting its existing licensed skin-care and beauty brands, which include ~H_2O+, Yves Rocher and Erno Laszlo. Out of these brands, turnover of Yves Rocher increased by approximately 184% by comparison with the same period last year. At the end of May 2010 the Group had a total of 367 retail outlets in operation, representing an increase of 88 outlets when compared with the same period last year.

One important strategy is of regularly refreshing brand images, thus maintaining consumer interest and keeping brands up to date. In the period under review the Group has been doing this with its ~H_2O+ outlets throughout China, revamping their design and colour schemes so as to create a fresh 'look' that is very much of the moment. Partly as a result, sales for ~H_2O+ in the PRC rose slightly, by approximately 2%. As at the end of May 2010, the Group had a total of 243 ~H_2O+ outlets in China. In Hong Kong, there are also plans to introduce a new shop image later in the year or early in the following one. In addition, the Group is committed to further expanding its distribution channels for these licensed brands to give them an even more substantial market presence.

The Group's beauty service business, which includes its Oasis Beauty Centres, Oasis Spa Centres, Oasis Medical Centres, and Beijing Beauty Centres, had a total of 23 outlets as at the end of May 2010. The performance of its Oasis Medical Centres has been outstanding, achieving an increase of approximately 79% in sales compared with the same period last year. A highlight was the opening in June 2010 of the Group's brand new 7,500 square feet deluxe Spa Centre and the third new Oasis Medical Centre has been opened in May 2010. Both centres are located in the prime Harbour City location in Tsim Sha Tsui, Kowloon, creating a new flagship premises for its high-end beauty services in Hong Kong. To optimise the performance of this business sector the Group is constantly reviewing its beauty network, opening new beauty centres and rationalising the distribution of existing ones in response to demand and economic conditions.

During the review period, the Group reviewed the role of its self-owned property in Hong Kong and made the decision to utilise the property for investment purposes, thus tapping into the booming property market and generating satisfactory investment rental returns to the Group. As a result, a revaluation gain was booked during the financial period under review.

New, improved financial strategies

To be effective in expanding into brand ownership, the Group requires a very clear policy on investments and acquisitions, together with quality backing in terms of the supply of capital. In the period under review, it has taken major steps to achieve both these goals. In December 2009, it contracted with renowned financial consultant Mr. Francis Leung to provide specialised financial consultancy services to the Group, especially in the area of M&A. As the Group moves on to a new phase in its corporate history, Mr. Leung's financial experiences and acumen will prove vital in helping it make sound, strategic decisions on diversification.

More recently, in April 2010, the Group secured investment from DAMF II, part of the private equity arm of the globally renowned Franklin Templeton Investments, through the issue of convertible bonds and shares. The issue will bring the Group proceeds of around HK$78.0 million, which have been earmarked for the potential acquisition of new skin-care brands or sizeable beauty service chains in the PRC, along with the development or refreshing of existing ones. The DAMF II investment not only reflects the strong interest of institutional investors in the Group, but also provides a clear proof of general investor confidence in the Group's operations and business directions.

Outlook

In the months to come, the Group will be continuing its energetic push towards diversification and expansion, together with new moves into brand ownership. This will see it expanding the coverage of its existing brands across the Greater China region, encouraging greater brand penetration at every level, and continuing to refresh its brand images to keep demand strong and interest vibrant. With its first JM Makeup counter opening in April 2010, after the end of this financial period, and the additional contributions to come from its Glycel brand, the Group expects to see profits from this new business follow in the second half of the year.

The theme is of being forward looking and beginning a major new chapter in the Group's history. In particular, the Group will be looking to engage in more M&A moves as appropriate, guided by the expert assistance of Mr. Francis Leung. With good supplies of capital in hand, the Group is very well-placed to step up to its new role, achieving dynamic growth and consolidating its position as one of the leading skin-care and beauty groups in the Greater China region.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of 3.0 HK cents per share for the six months ended 31 March 2010 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 9 July 2010. The Register of Members will be closed from 7 July 2010 to 9 July 2010, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, 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 6 July 2010. The relevant dividend warrants will be dispatched to shareholders on 16 July 2010.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2010, the Group had net current assets of approximately HK$41.9 million (at 30 September 2009: HK$63.2 million).

The Group generally finances its operations with internally generated resources. As at 31 March 2010, the Group had cash reserves of approximately HK$153.7 million (at 30 September 2009: HK$145.8 million).

The gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$190.0 million (at 30 September 2009: HK$196.6 million) is approximately 21.5% (at 30 September 2009: 21.5%).

The Group continues to follow the practice of prudent cash management. 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, United States Dollars and Japanese Yen. The Group will continue to monitor its foreign exchange position and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

HUMAN RESOURCES

As at 31 March 2010, the Group employed 1,450 staff (at 30 September 2009: 1,579 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's and Group's performances. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

The Group is committed to nurturing 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.

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 31 March 2010 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the Interim Financial Information.

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 Code on Corporate Governance Practices (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 31 March 2010 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, 15 June 2010

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.