Water Oasis Group

奧 思 集 團

WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

FINANCIAL HIGHLIGHTS

- Group's turnover and profit for the year attributable to owners of the Company for the year ended amounted to approximately HK$911.9 million and HK$59.2 million respectively.
- Glycel contributed remarkable positive results on both the turnover and profit to the Group in just 4 months' operations after acquisition. Monthly cash receipts soared to around 3 times their pre-acquisition levels.
- The performance of Oasis Medical Centres has been outstanding, achieving an increase of approximately 52% in turnover when compared with the same period last year. Our 3rd newly opened centre in May 2010 has achieved breakeven in its bottom line after its third month's operations.
- Recommend a final dividend of 4.0 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., part of the private equity arm of the globally renowned Franklin Templeton Investments in May 2010.

OPERATION HIGHLIGHTS

- The Group has been awarded as one of the "Asia's 200 Best Under A Billion" company granted by Forbes Asia Magazine for 2010.
- The Group had a total of 341 outlets including all brands in Mainland China as at the end of September 2010, representing an increase of 41 outlets when compared with that of last year.
- Successfully acquired a skin-care brand of "Glycel" on 28th May, 2010 with trademark registered in over 60 countries, bringing new source of revenue and profit contribution to the Group. Glycel is a prestigious long-history brand developed and produced in Switzerland, famous for its anti-aging skin-care products.
- The Group's first owned and operated brand "JM Makeup" was launched in April 2010.
- A 2,500 square feet of Oasis Medical Centre and a 7,500 square feet deluxe high-end Spa were opened in May and June 2010 respectively. Both centres are located at prime Harbour City location in Tsim Sha Tsui.

AUDITED FINANCIAL RESULTS

The Board of Directors (the "Board") of Water Oasis Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 30th September, 2010 (the "Consolidated Financial Statements") as follows:

Consolidated Income Statement

		For the year ended 30th September,	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**911,878**	920,955
Purchases and changes in inventories of finished goods		**(217,402)**	(234,810)
Other income		**3,178**	13,831
Other gains or losses		**44,088**	(1,405)
Staff costs		**(255,142)**	(243,032)
Depreciation of property, plant and equipment		**(27,299)**	(25,196)
Finance costs	3	**(2,901)**	(950)
Other expenses		**(385,125)**	(328,233)
Profit before taxation		**71,275**	101,160
Taxation	4	**(13,881)**	(17,729)
Profit for the year	5	**57,394**	83,431
Profit for the year attributable to:			
Owners of the Company		**59,181**	80,991
Non-controlling interests		**(1,787)**	2,440
		57,394	83,431
Earnings per share			
Basic	6	**7.9 HK cents**	11.0 HK cents
Diluted	6	**7.7 HK cents**	11.0 HK cents

Consolidated Statement of Comprehensive Income

	For the year ended 30th September,	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**57,394**	83,431
Other comprehensive income:		
Exchange difference arising on translation and other comprehensive income for the year	**83**	2
Total comprehensive income for the year	**57,477**	83,433
Total comprehensive income for the year attributable to:		
Owners of the Company	**59,264**	80,993
Non-controlling interests	**(1,787)**	2,440
	57,477	83,433

Consolidated Statement of Financial Position

	Notes	As at 30th September, 2010 HK$'000	2009 HK$'000 (restated)	As at 1st October, 2008 HK$'000 (restated)
Non-current assets				
Intangible assets		**59,553**	1,044	1,125
Goodwill		**3,978**	966	966
Investment properties		**163,220**	37,700	33,700
Property, plant and equipment		**44,033**	40,795	43,905
Prepaid lease payments		**–**	75,362	75,452
Rental deposits		**28,048**	18,984	17,175
Deferred tax assets		**11,126**	5,291	4,418
Financial assets at fair value through profit or loss		**–**	–	17,328
		309,958	180,142	194,069
Current assets				
Inventories		**71,472**	99,767	65,941
Prepaid lease payments		**–**	90	90
Financial assets at fair value through profit or loss		**–**	–	4,203
Trade receivables	8	**77,880**	72,031	73,312
Prepayments		**33,735**	24,511	26,654
Other deposits and receivables		**19,518**	15,527	16,078
Tax recoverable		**105**	253	–
Bank balances and cash		**217,536**	145,794	141,423
		420,246	357,973	327,701
Current liabilities				
Trade payables	9	**11,231**	21,547	11,898
Accruals and other payables		**121,106**	91,770	86,329
Amount due to a non-controlling shareholder of subsidiaries		**6,989**	–	–
Receipts in advance		**224,648**	166,831	170,242
Secured mortgage loan		**39,588**	42,220	44,794
Tax payable		**12,274**	11,976	17,744
		415,836	334,344	331,007
Net current assets (liabilities)		**4,410**	23,629	(3,306)
Total assets less current liabilities		**314,368**	203,771	190,763
Capital and reserves				
Share capital		**76,395**	36,956	36,608
Reserves		**160,881**	146,704	144,053
Equity attributable to owners of the Company		**237,276**	183,660	180,661
Non-controlling interests		**12,105**	12,930	8,715
Total equity		**249,381**	196,590	189,376
Non-current liabilities				
Pension obligations		**274**	339	407
Deferred tax liabilities		**25,304**	6,842	980
Convertible bond		**39,409**	–	–
		64,987	7,181	1,387
		314,368	203,771	190,763

Notes:

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below:

Basis of Preparation and Application of New and Revised Hong Kong Financial Reporting Standards

The Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Consolidated Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. They have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values.

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKASs"), Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised 2008)	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 2008)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvement to HKFRSs 2009 in relation to amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the Consolidated Financial Statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and change in the format and content of the Consolidated Financial Statements.

The application of HKAS 1 (Revised 2007) requires the presentation of an additional "statement of financial position" as at the beginning of the earliest comparative period whenever the Group applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification in the Consolidated Financial Statements.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding allocation of total comprehensive income to non-controlling interests.

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) has been applied prospectively from 1st October, 2009. Its application has affected the accounting for the Group's acquisition of subsidiaries during the year.

The adoption of HKFRS 3 (Revised 2008) requires acquisition-related costs of business combinations to be accounted for as expenses. As a result, the Group has recognised HK$1,021,000 of such costs as an expense in the consolidated income statement, whereas previously they would have been accounted for as part of the cost of the acquisition.

During the year, these changes in policies have affected the accounting for the acquisition of subsidiaries and resulted in lower amount of goodwill recognised in the consolidated statement of financial position of HK$1,021,000 and a corresponding decrease in profit for the year in the consolidated income statement arising on the recognition of acquisition-related costs when incurred as result of the application of HKFRS 3 (Revised 2008).

Other than as described above, the other applications of HKAS 27 (Revised 2008), HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the Consolidated Financial Statements of the Group for the current or prior accounting periods.

HKFRS 8 Operating Segments

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.

HK-Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Group applied HK-Int 5 and changed the classification of a term loan that contains a repayment on demand clause. Term loans are loans which are repayable on a specified date or in instalments over a period of time. In previous years, term loans were classified in the consolidated statement of financial position according to the scheduled repayment dates. The adoption of HK-Int 5 requires term loans which include an overriding repayment on demand clause in the loan agreement that give the lender an unconditional right to call the loan at any time to be classified as current liability. In addition, the contractual maturity analysis of these term loans is revised.

Summary of the Effect of the Adoption of HK-Int 5

The effect of the adoption of HK-Int 5 above on the consolidated statement of financial position of the Group as at 1st October, 2008 and 30th September, 2009 is as follows:

	As at 1st October, 2008 (originally stated)	Effect of HK-Int 5	As at 1st October, 2008 (restated)	As at 30th September, 2009 (originally stated)	Effect of HK-Int 5	As at 30th September, 2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities						
Secured mortgage loan	2,529	42,265	44,794	2,631	39,589	42,220
Non-current liabilities						
Secured mortgage loan	42,265	(42,265)	–	39,589	(39,589)	–
Total effect on liabilities	44,794	–	44,794	42,220	–	42,220

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvement to HKFRSs 2009 (except for amendment to paragraph 80 of HKAS 39)[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010
2 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2010
4 Effective for annual periods beginning on or after 1st February, 2010
5 Effective for annual periods beginning on or after 1st July, 2010
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st July, 2011
8 Effective for annual periods beginning on or after 1st January, 2013

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the Consolidated Financial Statements.

2. Turnover and Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st October, 2009. HKFRS 8 is a disclosure standard that 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, i.e. the Group's Executive Directors, for the purpose of allocating resources to segments and assessing 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.

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 operating 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 segment – the retail sales of skin-care products

(ii) Services segment – 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 year:

	Retail segment		**Services segment**		**Elimination**		**Total**	
	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	**613,484**	647,774	**298,394**	273,181	**–**	–	**911,878**	920,955
Inter-segment sales	**26,806**	25,458	**–**	–	**(26,806)**	(25,458)	**–**	–
Total	**640,290**	673,232	**298,394**	273,181	**(26,806)**	(25,458)	**911,878**	920,955
Segment results	**42,173**	84,032	**59,408**	55,219	**–**	–	**101,581**	139,251
Other income							**3,178**	13,831
Other gains or losses							**44,088**	(1,405)
Finance costs							**(2,901)**	(950)
Central administrative costs							**(74,671)**	(49,567)
Profit before taxation							**71,275**	101,160

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

Geographical Information

The Group's operations are located in Hong Kong, Macau, Mainland China, Taiwan and Singapore.

The Group's turnover by geographical location is detailed below:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong and Macau	**440,662**	391,706
Mainland China	**421,695**	478,349
Taiwan	**42,322**	42,587
Singapore	**7,199**	8,313
	911,878	920,955

3. Finance Costs

	2010	2009
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**882**	950
Effective interest expenses on convertible bond	**2,019**	–
	2,901	950

4. Taxation

	2010	2009
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**7,160**	2,567
Overseas taxation	**5,813**	12,620
Overprovision in prior years	**(1,738)**	(2,447)
	11,235	12,740
Deferred taxation		
Current year	**2,646**	4,989
	13,881	17,729

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year 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 28th November, 2008, a subsidiary of the Group in Waigaoqiao Free Trade Zone was further qualified as an "operating centre" and entitled to certain tax reductions.

Withholding tax has been 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 the Group's PRC subsidiaries accordingly.

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

5. Profit for the Year

	2010	2009
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Amortisation of intangible assets	**420**	428
Amortisation of prepaid lease payments	**30**	90
Auditor's remuneration	**1,508**	1,307
Equity-settled share-based payment expenses	**13,880**	–
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**79,498**	60,783
– contingent rent	**4,903**	4,819
and after crediting:		
Interest income on bank deposits	**895**	662
Rental income from investment properties	**1,630**	2,719

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:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**59,181**	80,991

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**749,320,533**	737,760,768
Effect of dilutive potential ordinary shares in respect of share options	**15,221,886**	1,028,094
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**764,542,419**	738,788,862

The denominators for the purpose of calculating basic and diluted earnings per share for the year ended 30th September, 2009 have been adjusted to reflect the bonus issue of shares on a one-to-one basis on 30th March, 2010.

Diluted earnings per share for the year ended 30th September, 2010 does not include the effect of the convertible bond because it would result in an increase in earnings per share.

7. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim dividend declared and paid of 3.0 HK cents (2009: 8.0 HK cents) per share	**22,919**	29,565
Special interim dividend declared and paid of nil (2009: 2.0 HK cents) per share	**–**	7,391
	22,919	36,956
Final dividend proposed after the end of the reporting period of 4.0 HK cents (2009: 10.0 HK cents) per share	**30,558**	36,956
	53,477	73,912

The 2010 final dividend of 4.0 HK cents per share, amounting to approximately HK$30,558,000 (2009: HK$36,956,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the general meeting. This proposed dividend has not been recognised as distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2010 were approximately HK$59,875,000 (2009: HK$79,455,000).

8. Trade Receivables

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**78,658**	72,809	74,090
Less: allowance for bad and doubtful debts	**(778)**	(778)	(778)
Total trade receivables	**77,880**	72,031	73,312

The Group allows credit terms of 30 days to 90 days to its trade debtors. The following is an aging analysis of trade receivables, presented based on the payment due date, net of allowance for bad and doubtful debts, at the end of the reporting period:

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	**67,375**	59,898	67,011
31 days to 60 days	**6,487**	6,115	5,423
61 days to 90 days	**1,774**	1,099	178
Over 90 days	**2,244**	4,919	700
	77,880	72,031	73,312

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$2,244,000 (2009: HK$4,919,000, 2008: HK$700,000) which were past due but not required impairment as at the reporting date. The Group does not hold any collateral over these balances.

9. Trade Payables

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

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	**11,076**	19,054	10,349
31 days to 60 days	**155**	2,493	1,549
	11,231	21,547	11,898

The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's financial performance for the year ended 30th September, 2010 saw decline in turnover and profit attributable to owners of the Company of approximately 1% and 27% respectively. These year-on-year falls were primarily attributable to the fact that the Group's distribution agreement for the Neutrogena brand ended eighteen months ago, and its previous earnings from Neutrogena have yet to be offset by a comparable income earner. Although the Group does have other brands in the marketplace, most are relatively new and are still at the early stages of consolidation. Further, in order to promote its new brands and raise public awareness of them, the Group has spent relatively large amounts over the past year on marketing, advertising and promotional activities. These kinds of expenses are to be expected when brands and products are being developed or revamped, and should translate in the longer term into healthy growth.

Besides this, financial arrangements including the Group's share option to Luminary Capital Limited, the company of its financial advisor Mr. Francis Leung, together with its placement on 4th May, 2010 of new shares and convertible bond with Darby Asia Mezzanine Fund II, L.P., part of the private equity arm of Franklin Templeton Investments, involved a non-cash accounting cost to the Group of around HK$14.9 million, impacting on the Group's overall financial performance for the year. If these items are excluded, the drop in the Group's profit attributable to owners of the Company amounts to just 9%.

BUSINESS REVIEW

I. Brand ownership and distribution

The Group's main focus during the year was on continuing its transition from brand distributor to brand owner and multi-brand distributor. By acquiring new brands and revamping and promoting older and existing ones, the Group was successfully able to enrich its brand portfolio and occupy the market at different levels.

Glycel

The acquisition by the Group of the Glycel brand, which was completed on 28th May, 2010, makes it the most recent addition to the Group's portfolio of brands. The acquisition gives the Group ownership of the Glycel trademark, which is registered in over 60 countries worldwide. The Glycel brand has a strong reputation and a lengthy history, but to compete fully in today's market it needed a company such as Water Oasis Group to maximise its potential. Immediately upon acquisition, the Group began to leverage its reputation and long experience in the beauty and retail business to improve operations at Glycel, leading to a rapid boost in performance. Since the Group took over ownership of Glycel, monthly cash receipts from Glycel products and beauty services in Hong Kong have soared to around three times their pre-acquisition levels. What is more, after just four months' operation under the Group, Glycel's performance have already begun to record a positive bottom line in terms of profitability, a remarkable performance for such a short period of time. As at the end of September 2010, the Group had a total of six Glycel outlets in Hong Kong, four located in its beauty centres and another two operating as stand-alone retail outlets. As the brand is fully owned by the Group, the high quality Glycel products and services are already helping to increase the Group's gross profit margin.

These early signs of success from Glycel are extremely encouraging, and as a result the Group is beginning to make plans to expand Glycel sales into Mainland China and Taiwan in the next year or so. Assuming that this expansion is successful, the Group would then take the brand into other countries. In addition, the Group is backing new product development under the Glycel range, given the proven evidence of demand for this brand amongst Asian consumers.

~H_2O+

The ~H_2O+ brand is the Group's flagship brand, for which it has exclusive distributorship rights in Hong Kong and Mainland China. For many years now it has been the Group's primary contributor. As the Group moves into becoming a brand owner as well as multi-brand distributor, this situation will gradually shift. For the year under review, however, ~H_2O+ in Mainland China continued to be the main contributor to the Group's turnover, recording a slight turnover growth over last year. In Hong Kong and Mainland China, ~H_2O+ products continued to sell steadily. In a highly competitive market with a huge range of consumer choice and constant innovations, however, it is important to keep established brands like ~H_2O+ firmly in the public eye. To this end, during the year the Group launched new TV commercials in both Hong Kong and Mainland China to refresh the public's awareness of its popular products and the ~H_2O+ brand, besides continuing with an imaginative advertising strategy. Given the strong identification of many female users of ~H_2O+ products with celebrity figures, during the year the Group successfully invited two well-known stars to become the 'faces' of ~H_2O+ in its promotional campaigns. In Hong Kong, the famous superstar singer and actress Sammi Cheng took on this role for our Collagen 8000 product, while Jacqueline Li (Li Xiaolu) accepted the invitation for ~H_2O+ brand for Mainland China, Hong Kong and Taiwan.

Other brands

Other brands owned or distributed by the Group include Erno Laszlo, JM Makeup, and Yves Rocher. Each of these is targeted at different markets and each requires different strategies for maximising penetration and sales. In the year under review the brands continued their establishment process and performed reasonably well. After its first full year of operation, the Erno Laszlo brand contributed positively to the Group's bottom line, a good sign for the future. Currently the combined results of all three brands make up a relatively small part of the Group's overall turnover, but each has potential for good growth and the Group is confident that over time their contributions to its bottom line will step up.

II. Spa and Beauty business

The provision of spa and beauty services has long been an important and profitable side of the Group's operations, and more recently this has been supplemented by a highly successful diversification into the provision of specialised medical beauty services.

This side of the Group's business consists of its beauty service 'family' of Oasis Beauty Centres and Oasis Spa Centres, Oasis Medical Centres, and the Beijing Beauty Centres in Mainland China. During the year under review, the Group also added a further four beauty centres to its range. These four Glycel Beauty Centres were obtained as part of the Group's acquisition of the Glycel brand, and are providing it with a further income stream within the beauty services industry. Overall, these varied centres performed steadily, and showed positive growth against last year's results.

The standout performers were the Oasis Medical Centres in Hong Kong, for which demand has been high since the first one was opened in Causeway Bay in 2008. So positive has been the demand, in fact, that in May 2010 the Group opened a third medical beauty centre and a Spa in June 2010 in Tsim Sha Tsui's high-end Harbour City retail mall. This important new outlet is expected to significantly boost the Group's revenues from its beauty operations in the coming year.

Prospects

Glycel

With sales of the new Glycel brand products strong from the outset and continuing to pick up momentum, the Group will be focusing on making the most of the exceptional demand. It has steadily opened retail outlets since the popularity of the Glycel range became apparent, and will continue to do so over the coming months. For instance, a new outlet in the popular Times Square shopping mall in Causeway Bay was opened on 1st December, 2010. In the longer term, the Group expects to introduce more product lines under the Glycel brand name, and also to expand Glycel into Mainland China and then to Taiwan. The product hygiene permit registration has started in Mainland China and the operation shall expect to commence in the fourth quarter of 2011. If response is good, it may also look to other countries for further expansion.

~H_2O+ in Mainland China

The momentum of sales of ~H_2O+ products in Mainland China has been steady over the past year, and the Group intends to proceed with its strategy of ongoing expansion in the coming twelve months by opening a number of new outlets.

Erno Laszlo

The Group's Erno Laszlo brand is gradually establishing itself amongst consumers. The Group is maintaining a high-end profile for this brand, traditionally associated with upmarket consumers. Expansion is proceeding cautiously, in line with gradual growth in demand. Following the end of the reporting period, in November 2010 the Group opened another Erno Laszlo outlet in Times Square in Causeway Bay. The next step for this brand will be to launch it in Mainland China. Currently the process of product hygiene permit registration is underway, and the Group expects to start operations in Mainland China with this brand in the fourth quarter of 2011.

JM Makeup

The Group's self-owned JM Makeup brand is still in its early stages, and the Group is currently looking to maximise its exposure and distribution in order to reach the broadest possible mass and fast-moving consumer goods market amongst younger consumers in Mainland China. In the coming months, the Group will be expanding its brand coverage by adopting a wider range of distribution channels.

In summary, the coming year will see the Group continue with its ongoing repositioning process, moving from its traditional role of brand distributor to emerge as a brand owner and multi-brand distributor. This will enable it to draw on multiple income streams and be far less reliant on single brand performance. The Group's key brands for development in the coming months will be Glycel and JM Makeup, each of which has high potential for widespread sales when optimally marketed and distributed.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position remains very strong. Its cash and bank deposits as at 30th September, 2010 amounted to approximately HK$217.5 million (2009: HK$145.8 million). The Group generally finances its operation with internally generated resources.

The gearing ratio, expressed as a percentage of the secured mortgage loan and convertible bond over total equity of approximately HK$249.4 million (2009: HK$196.6 million), is approximately 32% (2009: 21%).

The Group continues to follow the practice of prudent cash management. The Group has little exposure to 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.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has proposed a final dividend of 4.0 HK cents per share for the year ended 30th September, 2010 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 8th February, 2011. The Register of Members will be closed from 2nd February, 2011 to 8th February, 2011, both days inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars 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 1st February, 2011. The relevant dividend warrants will be dispatched to shareholders on 17th February, 2011.

HUMAN RESOURCES

As at 30th September, 2010, the Group employed 1,638 staff (at 30th 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 and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

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, Duffy, J.P. 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 audited Consolidated Financial Statements of the Group for the year ended 30th September, 2010 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Consolidated Financial Statements.

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

During the year ended 30th September, 2010, 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 Provision") set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 30th September, 2010.

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

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 year.

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 Company Information" and the designated website of the Company at www.wateroasis.com.hk respectively. The annual report of the Company for the year ended 30th September, 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, 17th December, 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, Duffy, J.P. and Wong Chi Keung.