Water Oasis Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011

FINANCIAL HIGHLIGHTS

- Both Group's Turnover and Profit for the year attributable to owners of the Company achieved historically high when compared with previous financial years' results.
- By comparing to results of last financial year, Group's turnover increased by 8.1% to approximately HK$985.3 million. Profit for the year attributable to owners of the Company increased by 27.3% to approximately HK$84.6 million after including non-cash accounting costs.
- Oasis Medical Centre's performance continues to be outstanding, achieving an increase of 131.0% and 206.4% in turnover and profit before taxation respectively when compared with that of last financial year.
- Glycel has been performing well since acquisition by our Group and continues to contribute positively to our Group's results.
- Recommended a final dividend of 8.0 HK cents per share.

OPERATION HIGHLIGHTS

- For the year ended 30th September, 2011, the Group's total number of retail and beauty services outlets for all its brands among all countries reached 329 outlets and 27 outlets respectively.
- During the financial year under review, a net addition of 27 ~H_2O+ outlets had been opened in the PRC, while in HK, the Group had opened one new shop for each of the brands including ~H_2O+, Glycel and Erno Laszlo in Causeway Bay Times Square. In addition, an outlet for our self-owned brand JM Makeup was also opened in June 2011 in Tsim Sha Tsui LCX Harbour City.
- Apart from the new Erno Laszlo counter opened in Pacific Place, Harvey Nichols in October 2011, two new outlets located at The Landmark Harvey Nichols in Central and Hysan Place in Causeway Bay are planned to be opened in December 2011 and the 3rd quarter of 2012 respectively.
- In HK, a new Oasis Beauty centre was just opened in December 2011 in Yuen Long and another new Oasis Beauty centre shall be opened in Tsim Sha Tsui in the second quarter of 2012. In PRC, a new Oasis Beauty centre was opened in Winterless Center, Beijing in November 2011 and another new Oasis Beauty centre shall be opened in March 2012 in Xidan, Beijing.
- The Group shall open a new Oasis Medical Centre in Shatin New Town Tower in December 2011, next to our existing Oasis Beauty centre.
- Our Group's CEO had been honoured by the American Chamber of Commerce's Women of Influence Awards 2011 as "Entrepreneur of the Year" in November 2011.

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, 2011 (the "Consolidated Financial Statements") as follows:

Consolidated Income Statement

		For the year ended 30th September,	
		2011	2010
	Notes	***HK$'000***	*HK$'000* (restated)
Turnover	2	**985,339**	911,878
Purchases and changes in inventories of finished goods		**(201,309)**	(217,402)
Other income		**6,553**	3,178
Other gains or losses		**33,003**	44,088
Staff costs		**(288,135)**	(255,142)
Depreciation of property, plant and equipment		**(25,395)**	(27,329)
Finance costs	3	**(6,053)**	(2,901)
Other expenses		**(388,320)**	(385,095)
Profit before taxation		**115,683**	71,275
Taxation	4	**(34,509)**	(6,561)
Profit for the year	5	**81,174**	64,714
Profit for the year attributable to:			
Owners of the Company		**84,648**	66,501
Non-controlling interests		**(3,474)**	(1,787)
		81,174	64,714
Earnings per share			
Basic	6	**11.1 HK cents**	8.9 HK cents
Diluted	6	**11.1 HK cents**	8.7 HK cents

Consolidated Statement of Comprehensive Income

	For the year ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**81,174**	64,714
Other comprehensive income:		
Exchange difference arising on translation and other comprehensive income for the year	**9,942**	83
Total comprehensive income for the year	**91,116**	64,797
Total comprehensive income for the year attributable to:		
Owners of the Company	**93,687**	66,584
Non-controlling interests	**(2,571)**	(1,787)
	91,116	64,797

Consolidated Statement of Financial Position

	Notes	As at 30th September, 2011 HK$'000	2010 HK$'000 (restated)	As at 1st October, 2009 HK$'000 (restated)
Non-current assets				
Intangible assets		**59,250**	59,553	1,044
Goodwill		**3,978**	3,978	966
Investment properties		**189,560**	163,220	37,700
Property, plant and equipment		**44,248**	44,033	116,247
Rental deposits		**27,638**	28,048	18,984
Deferred tax assets		**6,637**	13,005	6,551
		331,311	311,837	181,492
Current assets				
Inventories		**69,969**	71,472	99,767
Trade receivables	8	**65,360**	77,880	72,031
Prepayments		**37,719**	33,735	24,511
Other deposits and receivables		**32,242**	19,518	15,527
Tax recoverable		**–**	105	253
Bank balances and cash		**324,982**	217,536	145,794
		530,272	420,246	357,883
Current liabilities				
Trade payables	9	**19,561**	11,231	21,547
Accruals and other payables		**145,819**	121,106	91,770
Amount due to a non-controlling shareholder of subsidiaries		**–**	6,989	–
Receipts in advance		**251,812**	224,648	166,831
Secured mortgage loan		**37,125**	39,588	42,220
Tax payable		**22,198**	12,274	11,976
		476,515	415,836	334,344
Net current assets		**53,757**	4,410	23,539
Total assets less current liabilities		**385,068**	316,247	205,031
Capital and reserves				
Share capital		**76,395**	76,395	36,956
Reserves		**228,286**	170,521	149,024
Equity attributable to owners of the Company		**304,681**	246,916	185,980
Non-controlling interests		**16,336**	12,105	12,930
Total equity		**321,017**	259,021	198,910
Non-current liabilities				
Pension obligations		**225**	274	339
Deferred tax liabilities		**21,138**	17,543	5,782
Convertible bond		**42,688**	39,409	–
		64,051	57,226	6,121
		385,068	316,247	205,031

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 which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[2]
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010

2 Amendments that are effective for annual periods beginning on or after 1st July, 2010

In addition, the Group has early adopted the amendments to HKAS 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property".

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these Consolidated Financial Statements and/or disclosures set out in these Consolidated Financial Statements.

Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments for land in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st October, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments for land to property, plant and equipment retrospectively. This resulted in prepaid lease payments for land with the carrying amounts of approximately HK$75,452,000 as at 1st October, 2009 being reclassified to property, plant and equipment. Subsequently, during the year ended 30th September, 2010, the respective leasehold land has been transferred to investment properties as evidenced by end of owner occupation.

Amendments to HKAS 12 "Income Taxes"

Amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" have been applied in advance of their effective date (annual periods beginning on or after 1st January, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sales for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sales for the purpose of measuring deferred taxes in respect of such properties. This resulted in a decrease in deferred taxation by approximately HK$2,320,000 and HK$9,640,000 as at 1st October, 2009 and 30th September, 2010 respectively, with the corresponding adjustment being recognised in retained profits brought forward.

In the current year, no deferred taxation has been provided for in respect of changes in fair value of these investment properties, whereas previously deferred taxation were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in a decrease in taxation for the year ended 30th September, 2011 by approximately HK$5,295,000 and an increase in profit for the year by the same amount.

Summary of the effects of the above changes in accounting policies

(a) The effect of the above changes in accounting policies on the results for the current and prior year by line items are as follows:

	2011	2010
	HK$'000	*HK$'000*
Decrease in taxation and increase in profit for the year	**5,295**	7,320
Increase in profit for the year attributable to owners of the Company	**5,295**	7,320

(b) The effect of the above changes in accounting policies on the consolidated statement of financial position of the Group as at 1st October, 2009 and 30th September, 2010 are as follows:

	30th September, 2010			1st October, 2009		
	Originally stated	**Adjustments**	**Restated**	Originally stated	Adjustments	Restated
	HK\$'000	***HK\$'000***	***HK\$'000***	*HK\$'000*	*HK\$'000*	*HK\$'000*
Property, plant and equipment	**44,033**	**–**	**44,033**	40,795	75,452	116,247
Prepaid lease payments	**–**	**–**	**–**	75,452	(75,452)	–
Deferred tax assets	**11,126**	**1,879**	**13,005**	5,291	1,260	6,551
Deferred tax liabilities	**(25,304)**	**7,761**	**(17,543)**	(6,842)	1,060	(5,782)
Retained profits	**(93,225)**	**(9,640)**	**(102,865)**	(93,919)	(2,320)	(96,239)

(c) The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic earnings per share

	2011	2010
	HK cents	*HK cents*
Reported figures before adjustments	**10.4**	7.9
Adjustments arising from changes in accounting policies in respect of deferred tax for investment properties carried at fair value	**0.7**	1.0
Figures after adjustments as shown in the consolidated income statement	**11.1**	8.9

Impact on diluted earnings per share

	2011	2010
	HK cents	*HK cents*
Reported figures before adjustments	**10.4**	7.7
Adjustments arising from changes in accounting policies in respect of deferred tax for investment properties carried at fair value	**0.7**	1.0
Figures after adjustments as shown in the consolidated income statement	**11.1**	8.7

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[3]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[6]
HKAS 19 (Revised 2011)	Employee Benefits[5]
HKAS 24 (Revised 2009)	Related Party Disclosures[7]
HKAS 27 (Revised 2011)	Separate Financial Statements[5]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[5]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[5]

[3] Amendments that are effective for annual periods beginning on or after 1st January, 2011

[4] Effective for annual periods beginning on or after 1st July, 2011

[5] Effective for annual periods beginning on or after 1st January, 2013

[6] Effective for annual periods beginning on or after 1st July, 2012

[7] Effective for annual periods beginning on or after 1st January, 2011

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

2. Turnover and Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker, i.e. the Group's Executive Directors for the purposes of allocating resources to segments and assessing their performance are as follows:

(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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**590,993**	613,484	**394,346**	298,394	**–**	–	**985,339**	911,878
Inter-segment sales	**23,069**	26,806	**–**	–	**(23,069)**	(26,806)	**–**	–
Total	**614,062**	640,290	**394,346**	298,394	**(23,069)**	(26,806)	**985,339**	911,878
Segment results	**52,343**	42,173	**112,769**	59,408	**–**	–	**165,112**	101,581
Other income							**6,553**	3,178
Other gains or losses							**33,003**	44,088
Finance costs							**(6,053)**	(2,901)
Central administrative costs							**(82,932)**	(74,671)
Profit before taxation							**115,683**	71,275

Segment results represent the profit earned by each segment without allocation of income, gains or losses of the corporation function, central administrative costs (including 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.

Inter-segment sales are charged at prevailing market rates at terms determined.

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:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong and Macau	**552,139**	440,662
Mainland China	**386,187**	421,695
Taiwan	**40,124**	42,322
Singapore	**6,889**	7,199
	985,339	911,878

3. Finance Costs

	2011	2010
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**824**	882
Effective interest expenses on convertible bond	**5,229**	2,019
	6,053	2,901

4. Taxation

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Current taxation		
Hong Kong Profits Tax	**14,167**	7,160
Overseas taxation	**11,063**	5,813
Under (over) provision in prior years	**6**	(1,738)
	25,236	11,235
Deferred taxation		
Current year	**9,273**	(4,674)
	34,509	6,561

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits 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% (2010: 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 24% (2010: 22%). 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 has been 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 profits generated outside Hong Kong/the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

During the year, deferred taxation previously recognised as deferred tax assets was reversed as a result of the discontinuation of a business line of certain group entities where future profits in relation to this discontinued business line will not be available for utilising such related deferred tax assets.

5. Profit for the Year

	2011	2010
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Amortisation of intangible assets	**391**	420
Auditor's remuneration	**1,601**	1,508
Equity-settled share-based payment expenses	**17,653**	13,880
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**94,396**	79,498
– contingent rent	**5,682**	4,903
and after crediting:		
Interest income on bank deposits	**1,106**	895
Rental income from investment properties	**2,033**	1,630

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:

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Earnings for the purposes of basic and diluted earnings per share	**84,648**	66,501

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**763,952,764**	749,320,533
Effect of dilutive potential ordinary shares in respect of share options	**–**	15,221,886
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**763,952,764**	764,542,419

The computation of diluted earnings per share for the year ended 30th September, 2011 has not assumed the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price of shares for that year.

Diluted earnings per share for both years do not include the effect of the convertible bond because it would result in an increase in earnings per share.

7. Dividends

	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared and paid of 3.0 HK cents (2010: 3.0 HK cents) per share	**22,919**	22,919
Final dividend proposed after the end of the reporting period of 8.0 HK cents (2010: 4.0 HK cents) per share	**61,116**	30,558
	84,035	53,477

The 2011 final dividend of 8.0 HK cents per share, amounting to approximately HK$61,116,000 (2010: HK$30,558,000), 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 a distribution for this year.

The aggregate amount of the dividends paid during the year ended 30th September, 2011 were approximately HK$53,477,000 (2010: HK$59,875,000).

8. Trade Receivables

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**66,138**	78,658
Less: allowances for bad and doubtful debts	**(778)**	(778)
Total trade receivables	**65,360**	77,880

The Group allows credit terms ranging from 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 allowances for bad and doubtful debts, at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**51,430**	67,375
31 days to 60 days	**7,601**	6,487
61 days to 90 days	**1,867**	1,774
Over 90 days	**4,462**	2,244
	65,360	77,880

Included in the Group's trade receivable balances are debtors with a total carrying amount of approximately HK$4,462,000 (2010: HK$2,244,000) 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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**19,561**	11,076
31 days to 60 days	**–**	155
	19,561	11,231

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

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 30th September, 2011, the Group experienced an increase in overall turnover of 8.1% compared with the previous year's turnover, while profit attributable to owners of the Company rose by 27.3%, as against a fall in profit of last year. Both gross profit margin and net profit margin improved for the year. As was the case last year the Group had to absorb some non-cash accounting costs, amounting to around HK$20.4 million. These included costs relating to its share options and convertible bond. However, despite these costs, the Group still managed to achieve higher profit for the year than last year due to steady performance across most areas of the Group's businesses. Both gross and net profit margins rose for the year, as a result of the rigorous application of various cost control measures, together with decreased advertising expenses. Basic earnings per share for the year were 11.1 HK cents (2010: 8.9 HK cents as restated).

The Group maintained a healthy financial position throughout the year. The Group's cash on hand as at 30th September, 2011 amounted to HK$325.0 million. The Group has consistently managed to generate significant positive cash flows from operations, and there is no short term need for major cash outlay. Current ratio and debt-equity ratio are 1.1 times and 24.9% respectively.

The role of the Group's top management in achieving these good results was recognised externally when, in November 2011, our Group's Chief Executive Officer ("CEO"), Ms. Yu Lai Si had been honoured by the American Chamber of Commerce's Women of Influence Awards 2011 as "Entrepreneur of the Year". This prestigious award highlights powerful women who have made a major mark in the Hong Kong business field; this year's result is therefore an especially gratifying one for shareholders of the Water Oasis Group.

BUSINESS REVIEW

1. Brand Ownership and Distribution

Glycel

The Group acquired the Glycel brand in May 2010, so the results for the financial year 2010/11 mark the first full-year assessment of its success. As previously announced, the Glycel brand took off very quickly following its initial takeover by the Group; at the end of a full year of results, Glycel has emerged as a significant growth engine for the Group. Sales from Glycel contributed from both its retail and beauty services have increased significantly by around 140.4%, and the brand's contribution to the Group's total turnover has been increasing. Although its contribution remains relatively small at the moment, management is confident that once Glycel products achieve a "critical mass" of sales, the brand will contribute meaningfully both to the Group's top line and bottom line.

Given the success of Glycel to date, plans are in the pipeline to introduce the brand to the PRC market. Currently, the product registration process for Glycel is at the final stages and the Group is hoping to launch Glycel in Mainland China in the second half of 2012. As at 30th September, 2011, the Group was selling its products through 7 Glycel outlets in Hong Kong.

~H_2O+

The Group's longstanding ~H_2O+ business remains stable and continued to deliver satisfactory results in the year under review. It continued to be a main contributor to our Group's turnover. To better control costs, the Group has relocated some of its stand-alone shops to nearby malls with high traffic. While successfully reducing rental expenses, this move has not affected sales. With its ~H_2O+ business now fully mature, the Group's strategy is to maximise its profitability and then invest profits from ~H_2O+ into other business sectors with potential for high growth.

Other brands

Erno Laszlo, the distributorship right of the high-end skin-care brand acquired by the Group in June 2009, continued to consolidate its popularity in Hong Kong over the year. Steady expansion has been the order of the day once the brand was established; after the reporting period, the Group opened a counter in the upmarket Harvey Nichols department store in Pacific Place, Admiralty, and plans shortly to open another one in the Harvey Nichols The Landmark located in Central. In addition, we shall open a new standalone shop in Hysan Place, a prestigious shopping centre in Causeway Bay. As a result, the brand managed to achieve a small profit for the year, a good sign for future development. The Group continues with plans to launch Erno Laszlo in Mainland China which products registration process is now underway.

The Group's JM Makeup brand remains in the early establishment stage. The Group launched its first counter in LCX, in Harbour City in Tsim Sha Tsui, in June 2011. Given the influence of Hong Kong trends on China, management is optimistic that a good Hong Kong response to this brand will help drive further sales and expansion in China. The Group is therefore monitoring its progress closely, with the aim of strengthening the image of JM Makeup to the China mass youth market in due course.

2. Spa and Beauty Business

The Group's Spa and Beauty operations, which have long been important profit contributors for the Group, continued to perform well during the year, with the three Oasis Medical Centres putting in particularly strong performances. The new Oasis Medical Centre in Tsim Sha Tsui, equipped with new machinery and new treatments, helped maintain good profitability from this section of the Group's activities. At the same time, the performances of our beauty salons under the brand names of Oasis Beauty and Glycel were also good, contributing positively to our Group's results.

PROSPECTS

Although many analysts are predicting headwinds for the global economy in the coming year, management remains cautiously optimistic about prospects for the Group in 2012. The Group's China focus means it is much less subject to the fluctuations of the global economy than some of its competitors that are more reliant on the US and European markets. Even in China, the Group's nationwide network allows it to be less dependent than others on the sometimes volatile first- and second-tier cities. Among other things, the Group is continuing to benefit from its deep understanding of and familiarity with the China market, and the good relationships it has built along different channels. These benefits mean it is well placed to grasp the opportunities lying ahead.

China

To date, the Group has done very well in China. Management believes, however, that more could be achieved, and acting on this belief, during the year the Group actively pursued and recruited new and talented personnel in a move to overhaul its China operations and inject fresh talent and dynamism into its operations there. The new personnel will be tasked with expanding the Group's China beauty operations on a franchise basis, and boosting product sales of various brands. The Group has operated two beauty centres in Beijing for some years now, and has learned a great deal in that time about the styles and preferences of Mainland customers. Leveraging this insider knowledge, and drawing on its successful experience with the franchise model for its skin-care brands, the Group is now ready to expand its beauty operations in Mainland China via franchising.

The Group's Erno Laszlo brand and JM Makeup brand are each gradually establishing themselves and the Group is currently looking to maximise their exposure and expand their distribution range in China. It is hoped to launch the Glycel brand in China in the second half of the coming year, while at the same time assisting JM Makeup to further penetrate the China mass market.

Hong Kong

In Hong Kong, meanwhile, the Group plans to continue with moderate expansion to meet market demand. This will involve opening another Oasis Medical Centre, another Oasis Beauty centre, and one or two more counters or shops for the Erno Laszlo brand. To maintain the strong momentum achieved in sales of Glycel, the Group will devote more resources to advertising the brand in the coming year.

Merger and Acquisition Opportunities

With good cash reserves, an absence of large loans, and effective cost-control measures in place across its operations, the Group enjoys a very healthy financial situation. From this position of strength, the Group will continue its prudent policy of expansion, constantly keeping an eye open for possible business opportunities that could profitably expand its brand portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position remains very strong. Its cash and bank deposits as at 30th September, 2011 amounted to approximately HK$325.0 million (2010: HK$217.5 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$321.0 million (2010: HK$259.0 million as restated), is approximately 24.9% (2010: 30.5% as restated).

The Group continues to follow the practice of prudent cash management. The Group has acceptable level of exposure on foreign currency fluctuations as most of its assets, receipts and payments are principally denominated in the functional currency of the relevant territories. 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

The Board has proposed a final dividend of 8.0 HK cents per share for the year ended 30th September, 2011. The proposed final dividend, if approved at the forthcoming annual general meeting ("AGM"), will be dispatched to the shareholders whose names appear on the Register of Members of the Company at the close of business on 2nd March, 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

For determining the entitlement of the proposed final dividend, the Register of Members will be closed from Thursday, 1st March, 2012 to Friday, 2nd March, 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed 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 4:30 p.m. on Wednesday, 29th February, 2012. The relevant dividend warrants will be dispatched to shareholders on Wednesday, 14th March, 2012.

HUMAN RESOURCES

As at 30th September, 2011, the Group employed 1,498 staff (as at 30th September, 2010: 1,638 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, B.B.S., 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, 2011 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("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, 2011.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and CEO 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 CEO of the Group, has been carrying out the duties of both the Chairman and CEO since the establishment of the Group and the Company. The CEO 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 AGM 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.hkexnews.hk 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, 2011 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 December, 2011

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, B.B.S., J.P., Wong Chun Nam, Duffy, J.P. and Wong Chi Keung.