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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, 2012

FINANCIAL HIGHLIGHTS

- In the year under review, Group's Turnover reduced by 16.3% to approximately HK$824.4 million as compared with that of last fiscal year. This was mainly due to the loss of distributorship of h_2o+ in the PRC and Taiwan, but was partly offset by the increase in sales contribution on beauty services segment.
- Profit attributable to owners of the Company decreased by 19.7% to approximately HK$68.0 million partly because of the write-off on inventory and fixed assets after termination of h_2o+ operations in addition to the effect due to the decrease in sales.
- Beauty Services division's performance was outstanding in the year under review. The total performance of turnover and segment results on our Oasis Spa, Oasis Beauty and Glycel achieved a double-digit increase when compared with that of last fiscal year.
- Recommended a final dividend of 4.0 HK cents per share.

OPERATION HIGHLIGHTS

Retail – HK

- During the year under review, a new h_2o+ shop located at New Town Plaza Shatin was opened in August 2012 using the rebranded image. Besides, three Erno Laszlo outlets located at Harvey Nichols, Pacific Place; Harvey Nichols, The Landmark and Hysan Place in Causeway Bay were opened in October, December of 2011 and August 2012 respectively. In addition, two Glycel outlets were opened in apm and Tuen Mun Town Plaza in June 2012.
- A new h_2o+ shop was opened in December 2012 in Plaza Hollywood. Besides, two new Glycel shops were opened namely in Harvey Nichols, Pacific Place and Plaza Hollywood in October and December 2012 respectively. A number of new openings were planned to open in the year to come for these 2 brands.

Retail – PRC & Taiwan

- Glycel has successfully launched its operations in PRC in July 2012. Up to date, there were 5 counters under operation and the performance was encouraging. 4 Glycel counters were now under operation in Taiwan since its launch in March 2012.

Beauty Services – HK

- During the year under review, two new Oasis Beauty centres were opened in Yuen Long and Tsim Sha Tsui Harbour City in December 2011 and May 2012 respectively, together with an Oasis Medical Centre in Shatin in December 2011. In addition, a new Oasis Beauty and a new Oasis Medical Centre were opened in November 2012 in Kwun Tong and Mongkok respectively.

Beauty Services – PRC

- Two new Oasis Beauty centres were opened in Winterless Center, Beijing and Xidan, Beijing in November 2011 and March 2012 respectively. A flagship Oasis Beauty centre located in Super Brand Mall in Pudong Shanghai was planned to open in January 2013. The performance of Oasis Beauty was outstanding and sales was almost doubled when compared with that of last fiscal year.

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, 2012 (the "Consolidated Financial Statements") as follows:

Consolidated Income Statement

		For the year ended 30th September,	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**824,432**	985,339
Purchases and changes in inventories of finished goods		**(158,720)**	(201,309)
Other income		**8,432**	6,553
Other gains or losses		**41,050**	33,003
Staff costs		**(294,418)**	(288,135)
Depreciation of property, plant and equipment		**(31,309)**	(25,395)
Finance costs	4	**(6,442)**	(6,053)
Other expenses		**(319,002)**	(388,320)
Profit before taxation		**64,023**	115,683
Taxation	5	**(1,209)**	(34,509)
Profit for the year	6	**62,814**	81,174
Profit for the year attributable to:			
Owners of the Company		**67,981**	84,648
Non-controlling interests		**(5,167)**	(3,474)
		62,814	81,174
Earnings per share			
Basic and diluted	7	**8.9 HK cents**	11.1 HK cents

Consolidated Statement of Comprehensive Income

	For the year ended 30th September,	
	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**62,814**	81,174
Other comprehensive (expense) income:		
Exchange difference arising on translation of foreign operations	**(20)**	9,942
Reclassification adjustment upon disposal of subsidiaries	**(42)**	–
Total comprehensive income for the year	**62,752**	91,116
Total comprehensive income for the year attributable to:		
Owners of the Company	**67,872**	93,687
Non-controlling interests	**(5,120)**	(2,571)
	62,752	91,116

Consolidated Statement of Financial Position

		As at 30th September,	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Intangible assets		**59,786**	59,250
Goodwill		**3,012**	3,978
Investment properties		**205,180**	189,560
Property, plant and equipment		**43,500**	44,248
Rental deposits		**31,600**	27,638
Deferred tax assets		**12,493**	6,637
		355,571	331,311
Current assets			
Inventories		**32,696**	69,969
Trade receivables	9	**35,635**	65,360
Prepayments		**48,554**	37,719
Other deposits and receivables		**19,093**	32,242
Tax recoverable		**1,777**	–
Bank balances and cash		**255,170**	324,982
		392,925	530,272
Asset classified as held for sale		**25,000**	–
		417,925	530,272
Current liabilities			
Trade payables	10	**4,942**	19,561
Accruals and other payables		**94,572**	145,819
Receipts in advance		**262,965**	251,812
Convertible bond		**46,407**	–
Secured mortgage loan		**34,385**	37,125
Tax payable		**19,057**	22,198
		462,328	476,515
Liabilities associated with asset classified as held for sale		**490**	–
		462,818	476,515
Net current (liabilities) assets		**(44,893)**	53,757
Total assets less current liabilities		**310,678**	385,068
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**204,436**	228,286
Equity attributable to owners of the Company		**280,831**	304,681
Non-controlling interests		**11,591**	16,336
Total equity		**292,422**	321,017
Non-current liabilities			
Pension obligations		**172**	225
Deferred tax liabilities		**18,084**	21,138
Convertible bond		**–**	42,688
		18,256	64,051
		310,678	385,068

Notes:

1. **Basis of Preparation of Consolidated Financial Statements**

   The Consolidated Financial Statements have been prepared on a going concern basis as at 30th September, 2012, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

2. **Principal Accounting Policies**

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

   In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HK(IFRIC)–Int 14	Prepayments of a Minimum Funding Requirement

   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 the Consolidated Financial Statements and/or disclosures set out in the Consolidated Financial Statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]

HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013
2 Effective for annual periods beginning on or after 1st January, 2015
3 Effective for annual periods beginning on or after 1st July, 2012
4 Effective for annual periods beginning on or after 1st January, 2014

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to HKAS 19 are effective for annual periods beginning on or after 1st January, 2013 and require retrospective application with certain exceptions. The directors anticipate that the adoption of amendments to HKAS 19 will have no material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. Turnover and Segment Information

Information reported to the Group's Executive Directors, being the chief operating decision maker, in respect of the Group's business is focused on operation mode. The Group's operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

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

On 20th January, 2012, the Company made an announcement mentioning that the distributorship rights of h_2o+ for the People's Republic of China (the "PRC") and Taiwan would be terminated during the year. However, the Group still continues its business strategy of operating its retail sales of skincare products in these two geographic markets by building up its own brands and through business franchises.

The following is an analysis of the Group's turnover and results by operating segments for the year:

	Retail segment		Services segment		Elimination		Consolidation	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**399,475**	590,993	**424,957**	394,346	**–**	–	**824,432**	985,339
Inter-segment sales	**24,348**	23,069	**–**	–	**(24,348)**	(23,069)	**–**	–
Total	**423,823**	614,062	**424,957**	394,346	**(24,348)**	(23,069)	**824,432**	985,339
Segment results	**(17,960)**	52,343	**113,605**	112,769	**–**	–	**95,645**	165,112
Other income							**8,432**	6,553
Other gains or losses							**41,050**	33,003
Finance costs							**(6,442)**	(6,053)
Central administrative costs							**(74,662)**	(82,932)
Profit before taxation							**64,023**	115,683

Segment results represent the profit earned by each segment without allocation of income, gains or losses of the corporation function, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Group's Executive 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, the PRC, Taiwan and Singapore.

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong and Macau	**591,127**	552,139
The PRC	**196,169**	386,187
Taiwan	**31,045**	40,124
Singapore	**6,091**	6,889
	824,432	985,339

4. Finance Costs

	2012	2011
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**767**	824
Effective interest expenses on convertible bond	**5,675**	5,229
	6,442	6,053

5. Taxation

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**11,999**	14,167
Other jurisdictions *(note)*	**(1,840)**	11,063
(Over) under provision in prior years	**(353)**	6
	9,806	25,236
Deferred taxation		
Current year	**(8,597)**	9,273
	1,209	34,509

Note: For the year ended 30th September, 2012, included in Other jurisdictions under current taxation was an income tax credit recognised in respect of overpayment of PRC Enterprise Income Tax by a PRC subsidiary of the Company based on the assessment of the local PRC tax authority.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward from prior years.

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2011: 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% in 2011. The preferential rate was increased to 25% in the year 2012 pursuant to the relevant government notices.

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 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 ended 30th September, 2011, 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.

6. Profit for the Year

	2012	2011
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,681**	1,601
Amortisation of intangible assets	**232**	391
Allowance for doubtful debts	**43**	–
Write-down of inventories	**15,311**	–
Loss on write off of intangible assets	**426**	–
Equity-settled share-based payment expenses	**3,772**	17,653
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**105,352**	94,396
– contingent rent	**5,728**	5,682
and after crediting:		
Interest income on bank deposits	**2,536**	1,106
Rental income from investment properties	**5,160**	2,033

7. 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**67,981**	84,648

	Number of shares	
Number of ordinary shares for the purpose of basic and diluted earnings per share	**763,952,764**	763,952,764

No diluted earnings per share has been presented for both years because the computation of diluted earnings per share does not assume:

(i) the exercise of the Company's outstanding share options since the exercise price of those options was higher than the average price for the corresponding period;

(ii) the conversion of the Company's outstanding convertible bond since its exercise would result in an increase in earnings per share.

8. Dividends

	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared and paid of 4.5 HK cents (2011: 3.0 HK cents) per share	**34,378**	22,919
Final dividend proposed after the end of the reporting period of 4.0 HK cents (2011: 8.0 HK cents) per share	**30,558**	61,116
	64,936	84,035

The 2012 final dividend of 4.0 HK cents (2011: 8.0 HK cents) per share, amounting to approximately HK$30,558,000 (2011: HK$61,116,000), 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 during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2012 were approximately HK$95,494,000 (2011: HK$53,477,000).

9. Trade Receivables

The Group generally allows its trade debtors credit terms of 30 days to 90 days. 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:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**28,332**	51,430
31 days to 60 days	**1,476**	7,601
61 days to 90 days	**46**	1,867
Over 90 days	**5,781**	4,462
	35,635	65,360

10. 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:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**4,942**	19,561

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 within the credit time frame.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 30th September, 2012, the Group recorded a fall in overall turnover of 16.3% when compared with turnover in the previous year, accompanied by a fall in profit attributable to owners of the Company of 19.7%. Both these events were largely because of the Group's loss of its distributor rights for h_2o+ products in the PRC and Taiwan announced earlier this year. This loss resulted in the write-off costs on inventory and fixed assets. Despite the loss, gross profit margin increased for the year from 79.6% to 80.7%. This positive development was largely due to the greater weighting given to higher gross margin business, namely Glycel and beauty businesses. Basic earnings per share for the year were 8.9 HK cents (2011: 11.1 HK cents).

Though the Group recorded a fall in turnover and net profit margin for the year due to the termination of the h_2o+ business in the PRC and Taiwan and related one-off expenses, the actual final figures are considerably better than might have been expected due to the strong contributions posted by other areas of business. In particular the Group's efforts in promoting and expanding its high-end Glycel brand bore considerable fruit, going a long way towards compensating for the drop in h_2o+ sales. The success of the Group's high-margin beauty services segment further muted the effects of the h_2o+ termination, which also enabled big savings to be made on areas such as advertising. Together these developments augur well for the Group's performance in the year to come.

In terms of financial position the Group maintained its traditional healthy financial base, with cash on hand as at 30th September, 2012 amounting to approximately HK$255.2 million. Cash flow from operations remained robust. At the end of the year, the Group's current ratio stood at 0.9:1, and its debt-equity ratio was 27.6%.

Over the year, the Group has delivered strong sales contributions from both its retail and service businesses, with the service business performing particularly well. This has lifted the Group's retail/services split to just about 50/50, making it much more balanced than in recent years, and providing one important reason why the Group's gross profit margin rose over the year. Indeed, the Group's ability to draw on both retail and service contributions in roughly equal degrees is a benefit few other Hong Kong companies enjoy.

Many businesses in Hong Kong have suffered from the surge in property and rental prices in the city over the past couple of years. For 2011-12, however, the Group managed to maintain its rental costs at approximately the same level as last year. Without compromising its commitment to operating flagship stores in prestigious shopping locations, the Group was flexible in relocating and sometimes rationally downsizing other outlets to effectively manage spiraling rentals. Staff costs rose over the previous year, partly due to certain one-off redundancy payouts upon the termination of h_2o+ operations.

BUSINESS REVIEW

I. Brand Ownership & Distribution

Glycel

The Group's Glycel brand has been a stand-out performer over the year, recording an 120.3% increase in retail sales year-on-year, and 16.0% growth in sales to the beauty sector. This positive growth hinged on the Group's careful retail expansion and enrichment of the Glycel product range. Two new Glycel outlets were opened in the year, one in Tuen Mun Town Plaza and the other in the trendy apm mall in Kwun Tong. Outside the reporting period, a further counter was opened in Harvey Nichols, Pacific Place in October, together with one further outlet opened in Plaza Hollywood at Diamond Hill in December of this year. Others are currently at the negotiation stage.

Generally, the Glycel brand appeals to a slightly maturer age group who are higher spenders. The Group has committed itself to significant investment in and development of the Glycel brand, a move which seems to be paying off. During the year, a Glycel collagen drink Collagen Prime 10000 was launched in July which was especially well received. The product range continues to grow, from 19 products on acquisition of the brand to a current total of nearly 50.

The Group launched its Glycel brand in China in July 2012, and currently there are five Glycel outlets in operation there. The focus for China expansion will be on establishing a solid reputation for quality and high performance, so there will be no rush to open new counters. The Group intends also to be very selective regarding the location of new Glycel outlets, to ensure they match its target consumer profile.

h_2o+

In Hong Kong, Macau and Singapore where the Group retains its distributorship rights, sales of h_2o+ dropped slightly over the year. This was mainly due to the closure of some stores for cost-effectiveness reasons, which reduced sales outlets for the brand. However, the Group maintains a good relationship with the h_2o+ brand owner, and remains highly committed to growth and development of the brand in its traditional core markets. It plans to open further new stores in Hong Kong later in the year and the year to come, and continue with its gradual h_2o+ image rebranding programme to inject a fresh image to the brand. The first of the rebranded shops opened in Shatin in August of this year, to a good reception.

Erno Laszlo

Erno Laszlo, another retail brand for which the Group has exclusive distribution rights in Hong Kong and the PRC, enjoyed a significant 56.5% increase in retail sales over the year. Three new outlets were opened in excellent locations, including one of them was opened in the prestigious prime location of Hysan Place located in Causeway Bay, and the Group continues to explore further high-end opportunities for Hong Kong expansion of this promising brand range.

II. Spa and Beauty Business

The Group's beauty services business, made up primarily of Oasis Beauty, Glycel and Oasis Spa, performed exceptionally well over the year, with promising developments in both Hong Kong and the PRC. In Hong Kong, Oasis Beauty opened two new service outlets during the year; though performing strongly, their arrival was not fully reflected in the bottom line for the year due to accounting regulations. A further Oasis Beauty outlet was opened in November 2012, and two more are at the planning stage. Oasis Spa, though not expanding in terms of outlets over the year, nevertheless managed to generate a 21.8% increase in turnover for the year.

The success of the three Oasis Beauty outlets in Beijing translated into a 90.1% increase in revenue for the year, an extremely encouraging result especially in terms of preparing for the launch of the Oasis Beauty franchise in the PRC next year.

PROSPECTS

The Group's dual retail/service strategy, straddling two separate but closely related business areas, should enable us to maintain a very solid position in the years to come.

The Glycel brand in particular enjoys strong prospects for the coming year. Plans are afoot to open several new outlets over the next 12 months, and a good performance from this brand, given its higher profit margin, will go a long way towards making up the shortfall from loss of h_2o+ sales in the PRC. Though the prospect is bright, the Group will only expand Glycel retail business in China selectively for quality stores until the brand is firmly established in Hong Kong. This is believed to be the most effective way to expand the business while securing the prestige image of the brand.

Oasis Beauty has been gathering momentum in the PRC, and the time is ripe to take its presence there to a new level. Moving on from its three Oasis Beauty outlets in Beijing, in December the Group plans to open a flagship 3,000 sq.ft. Oasis Beauty premises in the prime location of Pudong, Shanghai, in a move that will bring the brand into a forward-looking, highly cosmopolitan city. If this move is as successful as expected, it will offer substantial new opportunities for growth in the PRC market.

More generally, the Group's plan for the coming year is to make the Hong Kong market the launching pad for product recognition and acceptance. Using the exposure and experience gained in Hong Kong, brands can then be introduced to the PRC market and elsewhere with a good level of brand momentum in place. In addition, the Group intends to develop its retail and services segments in tandem, developing synergies between them which will benefit both. Also as part of our development plans, the Group will continue to evaluate merger and acquisition opportunities that may add value to our business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2012 amounted to approximately HK$255.2 million (2011: HK$325.0 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$292.4 million (2011: HK$321.0 million), is approximately 27.6% (2011: 24.9%).

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 4.0 HK cents per share for the year ended 30th September, 2012. 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 Friday, 1st March, 2013.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 19th February, 2013 to Thursday, 21st February, 2013, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 4:30 p.m. on Monday, 18th February, 2013.

(ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed from Thursday, 28th February, 2013 to Friday, 1st March, 2013, 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 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 4:30 p.m. on Wednesday, 27th February, 2013. The relevant dividend warrants will be dispatched to shareholders on Wednesday, 13th March, 2013.

HUMAN RESOURCES

As at 30th September, 2012, the Group employed 930 staff (as at 30th September, 2011: 1,498 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may 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 Prof. 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, 2012 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 ("Old Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") from 1st October, 2011 to 31st March, 2012 and has complied with the applicable Code Provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "CG Code") from 1st April, 2012 to 30th September, 2012.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("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 former CEO (resigned on 6th July, 2012) and Mr. Yu Kam Shui, Erastus, the Acting CEO of the Group (appointed on 6th July, 2012), have been carrying out the duties of both the Chairman and CEO. 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. The Company had not designated a director for the purpose of receiving notification and providing acknowledgement in respect of dealing in securities of the Company under Rule B.8 of the Model Code. On 13th February, 2012, the Company had rectified the situation and had approved a memorandum detailing notification procedures to ensure compliance with the Model Code to all the directors. Following a specific enquiry by the Company, each of the directors (except one director) 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 made by employees who may possess or have accessed 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, 2012 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
Water Oasis Group Limited
Yu Kam Shui, Erastus
Executive Director and Acting Chief Executive Officer

Hong Kong, 19th December, 2012

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