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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST MARCH, 2013

FINANCIAL HIGHLIGHTS

- In the period under review, Group's Turnover reduced by 36.9% to approximately HK$314.3 million as compared with that of last year. This was mainly due to the loss of distributorship of h_2o+ in the People's Republic of China (the "PRC") and Taiwan.
- Profit attributable to owners of the Company decreased by 46.8% to approximately HK$20.2 million. This included a one-off cost for additional remuneration and entitlements of certain employees for prior periods and the effect due to the decrease in sales as a result of the loss of h_2o+ distributorship. These were offset by the gain on fair value change of an investment property held by the Group.
- The Group enjoyed a strong half in terms of its beauty services segment with its sales mix stood at 35.4% retail sales and 64.6% beauty services.
- Recommended an interim dividend of 2.5 HK cents per share.

OPERATION HIGHLIGHTS

Glycel

- As at 31st March, 2013, there are 11 outlets operating in Hong Kong including 7 located in shopping centres and 4 in commercial buildings. This includes the newly opened outlet in Plaza Hollywood. A further 5 are planned for opening in Hong Kong, comprising 3 that are to be opened after 31st March, 2013 within this financial year and 2 will be expected to open in the first half of next financial year.
- There were 6 self-managed and 1 franchised department store counters under operation for Glycel in PRC. A flagship store located at Shanghai IAPM is planned to open in the second half of this financial year. Besides, 4 counters were under operations in Taiwan as at 31st March, 2013.
- Glycel was the Title Sponsor of the Wai Yin Association Charity Ball 2013 that was held in May 2013. This charitable work initiative has given Glycel an extra boost to its strong public perception.

h_2o+

- During the period under review, a new h_2o+ shop located at Plaza Hollywood was opened in December 2012 adding up to 14 stores operating in Hong Kong as at 31st March, 2013. An additional 5 h_2o+ outlets are expected to be up and running after 31st March, 2013 within 2013.

Erno Laszlo

- Erno Laszlo has enjoyed an exceptionally strong increase in sales in the first half with its 7 outlets operating in Hong Kong as at 31st March, 2013.

Oasis Spa, Oasis Beauty/Aqua Beauty/Oasis Homme and Oasis Medical Centre

- As at 31st March, 2013, the Group operated 3 Oasis Spa, 18 Oasis Beauty/Aqua Beauty/Oasis Homme centres and 5 Oasis Medical Centres in Hong Kong.
- Sales performances were increased for Oasis Spa and Oasis Medical Centre and cash receipts from Oasis Beauty including Oasis Homme and Aqua Beauty have also risen.
- During the period under review, a new Oasis Beauty centre located in Kwun Tong and a new Oasis Medical Centre located in Mongkok were opened in November 2012.
- In PRC, 4 Oasis Beauty centres were under operation including the newly-opened centre in Super Brand Mall, a prime location in Pudong, Shanghai. Besides, the Group's plan for establishing an Oasis Beauty franchise network in PRC is also in progress.

The Board of Directors (the "Board") of Water Oasis Group Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 31st March, 2013.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Six months ended 31st March,	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**314,259**	497,711
Purchases and changes in inventories of finished goods		**(39,550)**	(100,770)
Other income		**4,219**	4,507
Other gains or losses		**29,567**	10,586
Staff costs		**(155,573)**	(161,803)
Depreciation of property and equipment		**(11,943)**	(16,455)
Finance costs		**(3,367)**	(3,153)
Other expenses		**(122,546)**	(187,517)
Profit before taxation		**15,066**	43,106
Taxation	3	**3,564**	(6,371)
Profit for the period	4	**18,630**	36,735
Profit for the period attributable to:			
Owners of the Company		**20,157**	37,903
Non-controlling interests		**(1,527)**	(1,168)
		18,630	36,735
Earnings per share			
Basic	5	**2.6 HK cents**	5.0 HK cents
Diluted	5	**2.6 HK cents**	5.0 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March,	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**18,630**	36,735
Other comprehensive (expense) income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation and other comprehensive (expense) income for the period	**(13)**	58
Total comprehensive income for the period	**18,617**	36,793
Total comprehensive income for the period attributable to:		
Owners of the Company	**20,131**	37,961
Non-controlling interests	**(1,514)**	(1,168)
	18,617	36,793

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2013** *HK$'000*	Audited As at 30th September, 2012 *HK$'000*
Non-current assets			
Intangible assets		**59,695**	59,786
Goodwill		**3,012**	3,012
Investment properties		**222,474**	205,180
Property and equipment		**44,138**	43,500
Rental deposits		**31,610**	31,600
Deferred tax assets		**17,695**	12,493
		378,624	355,571
Current assets			
Inventories		**37,630**	32,696
Trade receivables	7	**40,513**	35,635
Prepayments		**51,203**	48,554
Other deposits and receivables		**11,111**	19,093
Tax recoverable		**253**	1,777
Bank balances and cash		**243,035**	255,170
		383,745	392,925
Asset classified as held for sale		**–**	25,000
		383,745	417,925
Current liabilities			
Trade payables	8	**4,049**	4,942
Accruals and other payables		**80,078**	94,572
Receipts in advance		**293,253**	262,965
Convertible bond		**48,429**	46,407
Secured mortgage loan		**32,992**	34,385
Tax payable		**6,183**	19,057
		464,984	462,328
Liabilities associated with asset classified as held for sale		**–**	490
		464,984	462,818
Net current liabilities		**(81,239)**	(44,893)
Total assets less current liabilities		**297,385**	310,678
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**194,009**	204,436
Equity attributable to owners of the Company		**270,404**	280,831
Non-controlling interests		**10,077**	11,591
Total equity		**280,481**	292,422
Non-current liabilities			
Pension obligations		**172**	172
Deferred tax liabilities		**16,732**	18,084
		16,904	18,256
		297,385	310,678

Notes:

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements have been prepared on a going concern basis as at 31st March, 2013, 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.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2012.

Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2013 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. 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

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

	Retail segment Six months ended 31st March,		Services segment Six months ended 31st March,		Elimination Six months ended 31st March,		Consolidation Six months ended 31st March,	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**111,305**	282,819	**202,954**	214,892	**–**	–	**314,259**	497,711
Inter-segment sales	**12,802**	11,654	**–**	–	**(12,802)**	(11,654)	**–**	–
Total	**124,107**	294,473	**202,954**	214,892	**(12,802)**	(11,654)	**314,259**	497,711
Segment results	**116**	12,752	**18,210**	61,470	**–**	–	**18,326**	74,222
Other income							**4,219**	4,507
Other gains or losses							**29,567**	10,586
Finance costs							**(3,367)**	(3,153)
Central administrative costs							**(33,679)**	(43,056)
Profit before taxation							**15,066**	43,106

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 resources allocation and performance assessment.

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

3. TAXATION

	Six months ended 31st March, 2013 HK$'000	2012 HK$'000
Current taxation		
Current period	**2,990**	5,335
Deferred taxation		
Current period	**(6,554)**	1,036
	(3,564)	6,371

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward from prior years.

The People's Republic of China (the "PRC") Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2012: 25%) on the assessable profits.

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 period at the rates of taxation prevailing in the countries/places in which the Group operates.

4. PROFIT FOR THE PERIOD

	Six months ended 31st March, 2013 HK$'000	2012 HK$'000
Profit for the period is after charging:		
Amortisation of intangible assets	**130**	167
Interest expenses on secured mortgage loan	**357**	389
Effective interest expenses on convertible bond	**3,010**	2,764
Equity-settled share-based payment expenses	**–**	3,772
Loss on fair value change of an investment property	**960**	–
Loss on disposal/write-off of property and equipment	**886**	94
Net exchange losses	**841**	–
and after crediting:		
Gain on fair value change of investment properties	**32,254**	10,590
Interest income on bank deposits	**1,515**	1,733
Rental income from investment properties	**2,245**	2,580
Net exchange gains	**–**	516

5. EARNINGS PER SHARE

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

	Six months ended 31st March,	
	2013	2012
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**20,157**	37,903

	Number of shares	
	2013	2012
Number of ordinary shares for the purposes of basic and diluted earnings per share	**763,952,764**	763,952,764

The computation of diluted earnings per share had not assumed:

(i) the exercise of the Company's outstanding share options for both periods since the exercise price of those options was higher than the average price during that period and hence the share options were not dilutive (such share options expired during current interim period);

(ii) the conversion of the Company's outstanding convertible bond for both periods since the exercise would result in an increase in earnings per share and hence was anti-dilutive.

6. DIVIDENDS

	Six months ended 31st March,	
	2013	2012
	HK$'000	*HK$'000*
Interim dividend proposed of 2.5 HK cents (2012: 4.5 HK cents) per share	**19,099**	34,378

During the six months ended 31st March, 2013, a final dividend of 4.0 HK cents (2012: 8.0 HK cents) per share totalled approximately HK$30,558,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2012 (2012: HK$61,116,000 was paid in respect of the year ended 30th September, 2011).

At the Board meeting held on 28th May, 2013, the directors declared an interim dividend of 2.5 HK cents (2012: 4.5 HK cents) per share. This proposed interim dividend is not reflected as dividend payable in the condensed consolidated financial statements as it was declared after the end of the reporting period.

7. **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 allowance for bad and doubtful debts, at the end of the reporting period:

	As at 31st March, 2013 *HK$'000*	As at 30th September, 2012 *HK$'000*
0 to 30 days	**36,969**	28,332
31 days to 60 days	**2,018**	1,476
61 days to 90 days	**100**	46
Over 90 days	**1,426**	5,781
	40,513	35,635

8. **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:

	As at 31st March, 2013 *HK$'000*	As at 30th September, 2012 *HK$'000*
0 to 30 days	**4,049**	4,942

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months from 1st October, 2012 to 31st March, 2013, the Group recorded an inevitable year-on-year fall in sales mainly due to the termination of its h_2o+ distributorship rights, and all related operations, in the PRC and Taiwan in 2012. This, combined with a one-off cost for additional payment obligations in respect of the remuneration and entitlements of certain employees for prior periods (as announced by the Company on 22nd January, 2013), led to a significant fall in profitability by comparison with the same period last year. However, the Group has worked hard over the past six months to counterbalance these factors, being proactively involved in pushing forward its development as a brand owner and successful beauty services operator in Hong Kong and the PRC.

Positively speaking, the Group engaged a strong half in terms of its beauty services segment, such that for the period under review, the Group's sale mix stood at 35.4% retail sales and 64.6% beauty services. The period saw increasing demand for the Group's beauty services segment, a satisfactory performance from its Hong Kong-based brand portfolio, and generally good potential for new developments in China. Cash reserves remain robust, and plans are in place to aggressively expand the number of retail outlets in Hong Kong. In addition, the introduction of a new Enterprise Resource Planning (ERP) system looks set to improve efficiencies across the board.

Glycel

The Group's self-owned Glycel brand continued to go from strength to strength, enjoying a double-digit increase in sales for the period over the previous one. There were 11 Glycel outlets in Hong Kong at period-end and another 4 in Taiwan. A further 5 are planned for opening in Hong Kong, comprising 3 that are to be opened after 31st March, 2013 within this financial year and 2 will be expected to open in the first half of next financial year, as part of the Group's positive expansion plans for this fast-developing brand. The increasing flood of influential mid- to high-end Mainland tourists and shoppers has made Hong Kong an important style-setting location for China, so the Group is concentrating on ensuring that Glycel remains high on the radar for these important buyers. By building up a Hong Kong momentum for the brand, it is confident that further Mainland success will follow in due course. Glycel has also been successfully launched in the PRC, and the Group currently has 7 outlets there, 6 that are self-managed and 1 that is operating under a franchise arrangement. Momentum is building gradually, and this should be boosted when the Group's flagship Glycel store opens in Shanghai IAPM, a prime shopping location in the city. The strong positive public perception of the brand in Hong Kong is also being given an extra boost by recent charity work initiatives associated with the Glycel name. For example, Glycel was the Title Sponsor of the Wai Yin Association Charity Ball 2013, held in May 2013.

h_2o+

Overall sales of h_2o+ products by the Group were down by comparison with the previous interim period, because results for the current period reflected the loss of h_2o+ products distributorship rights in the PRC and Taiwan. However, in Hong Kong, Macau and Singapore where the Group retains rights, h_2o+ sales remained reasonable. Besides, the Group also adopts the strategy of switching store locations to more cost-effective ones as leases expired to counteract the increasing rental pressure in Hong Kong.

In Hong Kong, sales of h_2o+ were down due to the lower number of stores opened in the period, but this shortfall will be made up as a number of new stores are opened in the months to come. Leveraging its excellent relations with most of the large property developers in Hong Kong, the Group is planning to open new stores in new districts to increase its penetration and accessibility for new customers. There were 14 h_2o+ outlets in operation as at period end. An additional 5 new h_2o+ outlets are expected to be up and running after 31st March, 2013 within 2013, including 3 in popular New Territories shopping malls in Tai Po (Mega Mall), Tuen Mun (V City) and Tseung Kwan O (The Edge) all of which attract a strong and enthusiastic middle class clientele, and 2 in major Kowloon malls (Langham Place and Olympian City).

Erno Laszlo

The Group's Erno Laszlo brand has enjoyed an exceptionally strong first half, based on sales from 7 branches throughout Hong Kong. One further branch is planned for later in the year. In addition, the application of the Health Permit Product Registrations in Mainland China is still in progress and we have planned to commence our operation once the Health Permit Product Registrations are ready.

Oasis Spa, Oasis Beauty/Aqua Beauty/Oasis Homme and Oasis Medical Centre

Sales performances were up for Oasis Spa and Oasis Medical Centre, and cash receipts from Oasis Beauty, including Aqua Beauty and Oasis Homme, have risen too. The Group had opened a new Oasis Beauty centre in Legend Tower, Kwun Tong in November 2012, which add up to 18 outlets of Oasis Beauty, including Aqua Beauty and Oasis Homme, as at 31st March, 2013. Besides, a new Oasis Medical Centre was also opened in Mongkok in November 2012. As at 31st March, 2013, the Group operated 3 Oasis Spa centres and 5 Oasis Medical Centres in Hong Kong.

In the PRC, the Group's 3 Oasis Beauty outlets in Beijing performed steadily, with small increases in sales. In addition, the Group also opened a new flagship beauty outlet in the prime location of Super Brand Mall in Shanghai Pudong in February 2013, which expands its presence to a second major Mainland city. Despite only having been operating for a few months, the Shanghai performance is encouraging, although it will take some time for its full effect to be recognised. We expect the Shanghai performance to be further boosted by the opening of our flagship Glycel store in the city in the summer.

The Group will continue to proceed cautiously with its PRC expansion of beauty services, including its plans for establishing an Oasis Beauty franchise network.

Other

During the period, the Group sold its two residential investment properties to focus more on developing its core businesses of brand ownership and beauty services. The cash proceeds from their sale have helped to maintain the Group's abundant cash reserves.

Outlook

With a strong foundation in place and a clear plan of development for the second half of the year and beyond, the Group is confident about its directions and potential for future growth. Given its plans to open a significant number of new stores in coming months, and its increased focus on the service sector (where the system of cash advance payments offers extra benefits for the Group), it may still take time for our Group to make up the shortfall in sales as a result of the termination of the h_2o+ distributorship in the PRC and Taiwan. Spiralling rental costs continue to be a challenge, the Group will manage these by being long proactive in reviewing shop locations, closing outlets where rentals are not cost effective and often relocating them to more economical venues in vicinity. In addition to this, we shall explore and open more new stores that will be located in areas in which the Group has not had previous exposure, opening up significant potential new markets.

Glycel will continue to commission new products from its Swiss laboratory to expand the Glycel product range. Besides, the Group is also planning a revamp of the brand's packaging in order to add an even stronger sense of elegance and sophistication to its brand 'feel'. At the same time, the Group will be working to expand the presence of its other popular brands, h_2o+ and Erno Laszlo, by expanding their store networks and continuing to explore new product development options.

More generally, the Group is planning to implement a new ERP system which should be in place by the end of the year. This will make for greater cost-effectiveness and better levels of management input. In addition, all the Group's various websites will undergo a revamp to create a fresh look and greater cohesiveness across the different sites. Some of these are already in progress.

The Group expects to fund the above development and expansion plans mainly through the internal financial resources.

As always, the Group remains alert to the possibilities of acquiring new brands and services that will complement its current portfolio, through merger or acquisition as appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2013, the Group had net current liabilities of approximately HK$81.2 million (as at 30th September, 2012: HK$44.9 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2013, the Group had cash reserves of approximately HK$243.0 million (as at 30th September, 2012: HK$255.2 million).

As at 31st March, 2013, the gearing ratio, expressed as a percentage of the secured mortgage loan secured by an investment property owned by the Group and the convertible bond over total equity of approximately HK$280.5 million (as at 30th September, 2012: HK$292.4 million) was approximately 29.0% (as at 30th September, 2012: 27.6%). All borrowings are denominated in Hong Kong dollars. The bank balances and cash are mainly denominated in Hong Kong dollars and Renminbi.

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.

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 31st March, 2013.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31st March, 2013.

HUMAN RESOURCES

As at 31st March, 2013, the Group employed 869 staff (as at 30th September, 2012: 930 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options will also be granted to eligible staff based on individual's and Group's performances. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of 2.5 HK cents per share for the six months ended 31st March, 2013 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 17th June, 2013. The Register of Members will be closed from Thursday, 13th June, 2013 to Monday, 17th June, 2013, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11th June, 2013. The relevant dividend warrants will be dispatched to shareholders on Thursday, 27th June, 2013.

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 is chaired by Prof. Wong Lung Tak, Patrick, B.B.S., J.P..

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the six months ended 31st March, 2013 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the condensed 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 period under review.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period under review.

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 Mr. Yu Kam Shui, Erastus, the Acting Chief Executive Officer of the Group, is carrying out the duties of both the Chairman and Chief Executive Officer. The Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

Code Provision A.4.1

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to inside 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 interim report of the Company for the six months ended 31st March, 2013 will be dispatched to the shareholders and published on the HKEX's and the Company's websites in due course.

By Order of the Board
YU Kam Shui, Erastus
Executive Director and
Acting Chief Executive Officer

Hong Kong, 28th May, 2013

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.