Water Oasis Group
奧 思 集 團

WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2013

FINANCIAL HIGHLIGHTS

- In the year under review, Group's turnover reduced by 23.7% to approximately HK$629.0 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 49.6% to approximately HK$34.3 million. This was mainly because of the 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 in the PRC and Taiwan.
- Gross Profit Margin further increased to 88.6% from 80.7% due to greater contribution made by the Group's high margin products and beauty services.
- The Group further increased its weighting in beauty services segment with its sales mix stood at 68.2% in beauty services and 31.8% in retail sales.
- Recommended a final dividend of 1.5 HK cents per share.

OPERATION HIGHLIGHTS

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

- As at 30th September, 2013, the Group operated 3 spas under the name of Oasis Spa, 17 Oasis Beauty/Aqua Beauty/Oasis Homme centres and 5 Oasis Medical Centres in Hong Kong.
- Sales performances of Oasis Spa and Oasis Medical Centre performed well with a double-digit growth in sales.
- 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 first franchise Oasis Beauty centre located in Zhejiang was opened in November 2013.

Glycel

- As at 30th September, 2013, there were 14 retail shops and skin spas operating in Hong Kong, including 5 outlets newly opened in the year under review. A new outlet was opened in October 2013 in Beauty Avenue located in Mongkok and another one is planned to be opened in the first quarter of 2014 in City Plaza, Taikoo Shing.
- In PRC, a Glycel retail standalone shop was opened in Shanghai IAPM in November 2013.
- The Group was the Title Sponsor of the Wai Yin Association Charity Ball 2013 under its Glycel brand. This has raised the profile of its corporate social responsibility activities.

h_2o+

- As at 30th September, 2013, there were 16 retail shops in Hong Kong, representing 5 h_2o+ outlets newly opened in the year under review. A new outlet located at Beauty Avenue was opened in October 2013.

Erno Laszlo

- Erno Laszlo has enjoyed a strong increase in sales in the year under review with its 6 outlets operating in Hong Kong as at 30th September, 2013. A new outlet located at Beauty Avenue was opened in October 2013 and another one is planned to be opened in the first quarter of 2014 in City Plaza, Taikoo Shing.
- The Group has renewed its exclusive distribution right of Erno Laszlo in Hong Kong and Macau for seven years, taking its right through to the end of 2020. At the same time, it surrendered the distribution rights for Erno Laszlo for the PRC.

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, 2013 (the "Consolidated Financial Statements") as follows:

Consolidated Statement of Profit or Loss

	Notes	For the year ended 30th September, **2013** *HK$'000*	2012 *HK$'000*
Turnover	3	**628,971**	824,432
Purchases and changes in inventories of finished goods		**(71,493)**	(158,720)
Other income		**7,953**	8,432
Other gains or losses		**29,299**	41,050
Staff costs		**(282,255)**	(294,418)
Depreciation of property and equipment		**(23,295)**	(31,309)
Finance costs	4	**(4,264)**	(6,442)
Other expenses		**(246,431)**	(319,002)
Profit before taxation		**38,485**	64,023
Taxation	5	**(7,605)**	(1,209)
Profit for the year	6	**30,880**	62,814
Profit for the year attributable to:			
Owners of the Company		**34,259**	67,981
Non-controlling interests		**(3,379)**	(5,167)
		30,880	62,814
Earnings per share			
Basic and diluted	7	**4.5 HK cents**	8.9 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 30th September,	
	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**30,880**	62,814
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,552**	(20)
Reclassification adjustment of exchange difference upon disposal of subsidiaries	**–**	(42)
Total comprehensive income for the year	**33,432**	62,752
Total comprehensive income for the year attributable to:		
Owners of the Company	**36,719**	67,872
Non-controlling interests	**(3,287)**	(5,120)
	33,432	62,752

Consolidated Statement of Financial Position

	Notes	As at 30th September, 2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets		**59,484**	59,786
Goodwill		**3,012**	3,012
Investment properties		**222,734**	205,180
Property and equipment		**43,942**	43,500
Rental deposits		**34,862**	31,600
Deferred tax assets		**11,302**	12,493
		375,336	355,571
Current assets			
Inventories		**48,957**	32,696
Trade receivables	9	**24,318**	35,635
Prepayments		**40,171**	48,554
Other deposits and receivables		**10,205**	19,093
Tax recoverable		**–**	1,777
Bank balances and cash		**184,708**	255,170
		308,359	392,925
Asset classified as held for sale		**–**	25,000
		308,359	417,925
Current liabilities			
Trade payables	10	**6,801**	4,942
Accruals and other payables		**72,860**	94,572
Receipts in advance		**272,494**	262,965
Convertible bond		**–**	46,407
Secured mortgage loan – due within one year		**3,102**	34,385
Tax payable		**10,873**	19,057
		366,130	462,328
Liabilities associated with asset classified as held for sale		**–**	490
		366,130	462,818
Net current liabilities		**(57,771)**	(44,893)
Total assets less current liabilities		**317,565**	310,678
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**191,761**	204,436
Equity attributable to owners of the Company		**268,156**	280,831
Non-controlling interests		**8,304**	11,591
Total equity		**276,460**	292,422
Non-current liabilities			
Pension obligations		**116**	172
Secured mortgage loan – due after one year		**28,481**	–
Deferred tax liabilities		**12,508**	18,084
		41,105	18,256
		317,565	310,678

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, 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.

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 amendments issued by the Hong Kong Institute of Certified Public Accountants (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 "Presentation of Items of Other Comprehensive Income" 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.

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, except for the amendments to HKAS 1[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[3]
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[2]
HKFRS 9	Financial Instruments[3]
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]
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[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

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

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 centres, spas, medical beauty centres and other businesses

The Company's distributorship rights of h_2o+ for the People's Republic of China (the "PRC") and Taiwan were terminated during the year ended 30th September, 2012. However, the Group 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**	
	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	**199,862**	399,475	**429,109**	424,957	**–**	–	**628,971**	824,432
Inter-segment sales	**37,114**	24,348	**–**	–	**(37,114)**	(24,348)	**–**	–
Total	**236,976**	423,823	**429,109**	424,957	**(37,114)**	(24,348)	**628,971**	824,432
Segment results	**(18,154)**	(17,960)	**83,405**	113,605	**–**	–	**65,251**	95,645
Other income							**7,953**	8,432
Other gains or losses							**29,299**	41,050
Finance costs							**(4,264)**	(6,442)
Central administrative costs							**(59,754)**	(74,662)
Profit before taxation							**38,485**	64,023

Segment results represent the profit earned by each segment without allocation of other income, other gains or losses of the corporation function, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Company'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. PRC includes Mainland China but excludes Hong Kong and Macau.

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong and Macau	**597,026**	591,127
The PRC	**21,858**	196,169
Taiwan	**5,971**	31,045
Singapore	**4,116**	6,091
	628,971	824,432

4. Finance Costs

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on secured mortgage loan	**706**	767
Effective interest expenses on convertible bond	**3,558**	5,675
	4,264	6,442

5. Taxation

	2013	2012
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**9,969**	11,999
Other jurisdictions *(Note)*	**92**	(1,840)
Over provision in prior years	**(2,967)**	(353)
	7,094	9,806
Deferred taxation	**511**	(8,597)
	7,605	1,209

Note: The amount for the year ended 30th September, 2012 included in other jurisdictions under current tax 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% (2012: 16.5%) on the estimated assessable profit 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% (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 Company's PRC subsidiaries accordingly.

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

6. Profit for the Year

	2013	2012
	HK$'000	*HK$'000*
Profit for the year is stated at after charging:		
Auditor's remuneration	**1,442**	1,681
Amortisation of intangible assets	**340**	232
Allowance for doubtful debts	**292**	43
Write-down of inventories *(Note)*	**–**	15,311
Loss on write-off of intangible assets	**–**	426
Equity-settled share-based payment expenses	**–**	3,772
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**116,651**	105,352
– contingent rent	**3,718**	5,728
and after crediting:		
Interest income on bank deposits	**2,833**	2,536
Rental income from investment properties	**4,456**	5,160

Note: The figure for the year ended 30th September, 2012 comprised the write-down of inventories in relation to the termination of distributorship rights of h_2o+ in the PRC and Taiwan as set out in note 3.

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:

	2013	2012
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**34,259**	67,981
	Number of shares	
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 years since the exercise price of those options was higher than the average price during that year and hence the share options were not dilutive (such share options expired during the year ended 30th September, 2013);

(ii) the conversion of the Company's outstanding convertible bond for both years since its exercise would result in an increase in earnings per share and hence was anti-dilutive (such convertible bond was redeemed during the year ended 30th September, 2013).

8. Dividends

	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared and paid of 2.5 HK cents (2012: 4.5 HK cents) per share	**19,099**	34,378
Final dividend proposed after the end of the reporting period of 1.5 HK cents (2012: 4.0 HK cents) per share	**11,459**	30,558
	30,558	64,936

The 2013 final dividend of 1.5 HK cents (2012: 4.0 HK cents) per share, amounting to approximately HK$11,459,000 (2012: 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 during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2013 were approximately HK$49,657,000 (2012: HK$95,494,000).

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:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**22,901**	28,332
31 days to 60 days	**932**	1,476
61 days to 90 days	**48**	46
Over 90 days	**437**	5,781
	24,318	35,635

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:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**6,801**	4,942

The average credit period on purchase of goods ranges from 30 days to 60 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, 2013, the Group recorded a fall in overall turnover of 23.7% compared with its turnover for 2012. This was primarily the result of the full-year effects of the loss of the Group's h_2o+ distributor rights for the PRC and Taiwan in 2012. Besides, the fall in profit attributable to owners of the Company of 49.6% to HK$34.3 million was mainly because of the 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 in the PRC and Taiwan. However, gross profit margin showed an increase due to the greater contribution made by the Group's higher-margin products and services, including its Glycel and Erno Laszlo brands and its beauty services businesses. Basic earnings per share for the year amounted to 4.5 HK cents (2012: 8.9 HK cents).

During the review period, some areas of the Group's business performed acceptably, and some showed considerable promise for future development. A strong performance from the Group's Hong Kong beauty services segment resulted in a noticeable change in the Group's overall business mix by year-end. Contributions from beauty services rose from 51.5% in 2012 to 68.2% at 30th September, 2013. This shift in business mix was largely responsible for a rise in the Group's gross profit margin, from 80.7% for 2012 to 88.6% for the year under review.

As with many other players in Hong Kong, spiralling rent prices took a toll on the Group as leases on retail outlets came up for renewal during the year. This pressure was supplemented by rising labour costs, with the Group having to pay higher salaries in order to attract and retain employees of the calibre it needs to maintain its quality brand image. The Group has been proactive in addressing these issues, however, and has managed to offset part of these cost pressures through various initiatives. Some outlets have been moved to lower-cost locations where viable, but in other cases the Group has been able to reduce its rental costs simply by reducing the size of existing outlets, and using its retail space in more efficient ways.

Focusing on the Group's core Hong Kong operations, a breakdown of the year's statistics suggests some promising developments. Not only did the Group's sales performance in Hong Kong in the second half improve over its first-half performance, but the second-half sales results were also up on the results for the same period in 2011-2012. Overall, these comparative figures suggest that the Group's sales performance in Hong Kong remains stable, and is in the process of gradually strengthening.

The Group remains financially strong, with bank balances and cash as at 30th September, 2013 of approximately HK$184.7 million. At the same date, the Group's current ratio was 0.8:1, and its debt-equity ratio was 11.4%. The consistently solid cash situation is a result of the Group's longstanding policy of financial prudence. It was boosted with the redemption on 3rd May, 2013, of all its outstanding Convertible Bond in the aggregate principal amount of HK$39.0 million upon their maturity with the spare cash in hand leading to an improvement on the debt-equity ratio.

In view of the Group's strong liquidity due to continuously positive cashflow from operations, and no short-term need for major cash outlays, the Board of Directors has recommended a final dividend of 1.5 HK cents per share, bringing the full-year dividend to 4.0 HK cents per share (2012: 8.5 HK cents).

BUSINESS REVIEW

I. Spa and Beauty Business

The Group's beauty services business performed well in the year under review, and its increasing contribution to the Group's overall revenue has led to an adjustment in the business mix which is boosting profitability.

At 30th September, 2013, the Group was operating three high-end spas under the name of Oasis Spa, the contribution from which rose by approximately 13% over last year. Its specialist Oasis Medical Centre performed even better, posting an increase of approximately 20% over last year's results; this was achieved from a total of five Oasis Medical Centres across Hong Kong. Meanwhile, the Group's Oasis Beauty, Aqua Beauty and Oasis Homme centres, of which 17 centres were operating in the period, maintained a steady performance.

In China, the Group's three existing Oasis Beauty centres in Beijing have achieved full-year profitability. During the review year, the Group opened one new Oasis Beauty outlet in the Pudong area of Shanghai in February 2013, which is currently at the initial stage of establishing its presence in the local market. Besides this expansion of its self-managed beauty centres in the PRC, the Group also began testing a franchise model for Oasis Beauty in the country during the year, with its first franchised Oasis Beauty centre being launched in the second half. The Group's strategy for proceeding with its PRC beauty operations will remain a cautious step-by-step process, involving careful analysis of different approaches. The Group will be scrutinizing the performance of the trial franchised outlet closely in order to assess the viability of this business model for its PRC beauty operations.

II. Brand ownership and distribution

Glycel

Sales of the Group's own Glycel brand continued strong in Hong Kong, such that the brand increased its contribution to the Group's overall revenue, registering an approximately of 13% increase in sales revenue for the year. Growth in sales in Hong Kong was particularly noticeable. Currently, Glycel's products and services are sold in 14 retail outlets and skin spas in Hong Kong, against 9 at the same time last year. In the PRC there are six Glycel outlets, including one that is operating under a franchise arrangement, and a further two in Taiwan.

In a move to raise the profile of its corporate social responsibility activities, in May 2013 the Group was the Title Sponsor of the Wai Yin Association Charity Ball 2013 under its Glycel brand.

In the PRC, the Group's Glycel outlets are at the early stages of investment and evaluation. They are currently establishing themselves in the market there, and the Group will be analyzing their performance and market responses closely with a view to selecting the best possible growth and return strategies going forward.

h_2o+

Overall, the Group's h_2o+ brand experienced a decline over the year, which proved to be the primary driver of the Group's overall dip in sales for the year. The number of h_2o+ outlets across Hong Kong remained stable; two h_2o+ outlets were closed during the year due to non-viable lease renewal terms, but these were balanced by five new h_2o+ outlets being opened in new locations. The new outlets are in promising locations including Plaza Hollywood, PopCorn, Tai Po Mega Mall, Olympian City and V city with reasonable rental terms, and the Group is expecting them to perform well. As at 30th September, 2013, the Group was operating 16 h_2o+ outlets in Hong Kong.

Erno Laszlo

Shortly after the end of the period covered by this report, the Group renewed its Hong Kong and Macau distributorship agreement for its Erno Laszlo brand for a further seven years, taking its right through to the end of 2020. At the same time, it surrendered the distribution right for Erno Laszlo for the PRC. It had not to that point completed product registration procedures for the PRC, nor had it opened any sales outlets for the brand. The decision to surrender the distribution right was based on the Group's decision to focus its resources in Hong Kong as well as on proven contributors such as its beauty services business.

Sales of Erno Laszlo in Hong Kong rose by almost 30% over the previous year, continuing last year's significant upward trend. This year's growth was achieved despite one Erno Laszlo outlet (in Shatin) being closed during the period, suggesting strong future potential for the brand.

PROSPECTS

The Group's focus in the coming period will be on "strengthening the core and seeding for the future"; that is, identifying and investing in those aspects of its business that offer most potential for long-term innovation and growth.

This will involve greater efforts in marketing its core businesses over the coming year, allied with concerted innovation efforts that will help keep the Group's offerings fresh and ever-changing. Given the increasing contribution of its beauty services, their higher profit margins and lower costs pressure, this segment will be of particular concern for the Group going forward. Strategies are currently in the process of being developed to find new ways of unlocking the rich potential of this strong market.

The Group's Hong Kong retail business will also be given the close attention it needs to continue to thrive. As key brands Glycel, h_2o+ and Erno Laszlo continue to attract consumers, the Group will continue to roll out strategically placed, cost-effective new stores. New stores for these brands will shortly be opened in the popular upper middle-class shopping malls.

In China, controlling costs will be a priority in the first instance, to ensure that brand development efforts are not undermined by unnecessary expenditure. The focus will be on achieving profitably through cautious and prudent management; once this is being consistently achieved, the steps for steady expansion will be easier to implement.

In short, the motto of "Strengthen the core and seed for the future" will set the tone for the coming year, with close attention being paid to investing in maximizing the current portfolio, especially in Hong Kong, while at the same time developing new directions for the business as a whole. Most importantly, the coming months will be a time of developing and testing new business models for the Group that will boost profitability, better integrate the retail and services sides, and provide a sounder basis for further growth in China.

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, 2013 amounted to approximately HK$184.7 million (2012: HK$255.2 million). The Group generally finances its operation with internally generated resources.

The gearing ratio, expressed as a percentage of the secured mortgage loan (as at 30th September, 2012, together with the convertible bond) over total equity of approximately HK$276.5 million (2012: HK$292.4 million), is approximately 11.4% (2012: 27.6%).

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 1.5 HK cents per share for the year ended 30th September, 2013. 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 Tuesday, 4th March, 2014.

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, 18th February, 2014 to Thursday, 20th February, 2014, 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, 17th February, 2014.

(ii) For determining the entitlement of the proposed final dividend, the Register of Members will be closed from Friday, 28th February, 2014 to Tuesday, 4th March, 2014, 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 Thursday, 27th February, 2014. The relevant dividend warrants will be dispatched to shareholders on Thursday, 13th March, 2014.

EMPLOYEES AND REMUNERATION

As at 30th September, 2013, the Group employed 853 staff (as at 30th September, 2012: 930 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, 2013 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. The Company redeemed all of its Convertible Bond in the aggregate principal amount of HK$39.0 million on 3rd May, 2013 upon maturity.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year ended 30th September, 2013.

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 Mr. Yu Kam Shui, Erastus, the Acting CEO of the Group had been carrying out the duties of both the Chairman and CEO throughout the year and up to 2nd October, 2013. Subsequently after the year end, with effect from 2nd October, 2013, Ms. Wong Man Lai has been appointed as the Company's 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. With effect from 27th September, 2013, all the independent non-executive directors were appointed with specific term and Code Provision A.4.1 has therefore been complied thereafter.

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 to the Listing Rules. Starting from 13th February, 2012, the Company had designated directors for the purpose of receiving notification and providing acknowledgment in respect of dealing in securities of the Company under Rule B.8 of the Model Code in accordance with a stipulated memorandum detailing notification procedures to ensure compliance with the Model Code by the directors. 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.

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, 2013 will be dispatched to the shareholders and published on the respective websites of HKEX and the Company in due course.

By Order of the Board
Water Oasis Group Limited
Yu Kam Shui, Erastus
Executive Director

Hong Kong, 18th December, 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.