Water Oasis Group
奧 思 集 團

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, 2014

FINANCIAL HIGHLIGHTS

- For the period under review, Group's turnover increased by 5.3% to approximately HK$330.9 million as compared with that of last year. This was mainly attributable to the improvement in our services segment performance for all our brands.
- Gross profit margin increased to approximately 89.8% from 87.4% due to greater contribution made by the Group's high margin products and beauty services.
- Profit for the period decreased by 74.4% to approximately HK$4.8 million, mainly because of the fact that the relatively higher property-related revaluation gain recorded last year and the additional payment obligations in respect of the remuneration and entitlement of certain employees, were not applicable this year, together with the deferred tax assets previously recognised have been reversed as a result of the change in the Group's China department store concession counter operations.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 70% in beauty services and 30% in retail sales.
- Recommended an interim dividend of 1.0 HK cents per share.

OPERATION HIGHLIGHTS

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

- As at 31st March, 2014, the Group operated 14 Oasis Beauty centres, 3 Oasis Spa centres and 5 Oasis Medical Centres in Hong Kong, along with 2 Aqua Beauty centres and 1 Oasis Homme centre, while in the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchise operation.

- The Group's service sector in Hong Kong performed well during the period, with beauty services sales growing by around 15% on average and good profitability achieved from all above-mentioned units. Particularly outstanding were the performances of the Oasis Beauty and Oasis Spa outlets, which each managed growth of at least 15%.
- Oasis Medical Centre is going to open a new centre in Entertainment Building Central in the autumn of 2014, where it has not previously had a presence.

Glycel

- As at 31st March, 2014, there were 16 Glycel outlets in operation, including 2 new stores opened in Beauty Avenue in Langham Place in Mongkok and in Cityplaza shopping mall in Taikoo Shing.
- In autumn of 2014, the Group will relocate its Glycel store to a new venue in the Entertainment Building in Central and open a new Oasis Medical Centre on the same premises, a location which is approximately three times larger than the current one. Apart from the new Glycel store and new Oasis Medical Centre, the Group has an existing Oasis Spa outlet in the building. The new arrangement will help strengthen brand recognition, as well improving the cost-effectiveness of staffing arrangements.
- The Group had closed down those under-performing or loss-making department store concession counters in the PRC, leaving the standalone shop in Shanghai IAPM, while the Group has ended all its Glycel operations in Taiwan.
- Recently, the Group opened a larger outlet in Macau which has brought greater capacity for Glycel as well as for h_2o+.
- Glycel continued to be one of the key Sponsors of the Wai Yin Association Charity Ball and the charitable work initiative has given Glycel an extra boost to its strong public perception.

h_2o+

- The Group has re-engaged longtime brand spokesperson, local celebrity Ms. Joey Yung, as the 'face' of h_2o+ as well as of Oasis Beauty, a move which will further help to inject fresh excitement into the brand.
- In Hong Kong and Macau, there were 18 h_2o+ outlets in operation at the end of the period under review despite the Group will relinquish its very small Singapore h_2o+ operation in coming months, in order to focus more effectively on local development.

Erno Laszlo

- As at 31st March, 2014, there are 8 Erno Laszlo branches around Hong Kong. A new store was opened in March 2014 in Cityplaza shopping mall in Taikoo Shing and has met with early success.
- The Group's distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

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, 2014.

The unaudited consolidated results have been reviewed by the Company's Audit Committee and the Company's independent 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 independent 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,	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**330,888**	314,259
Purchases and changes in inventories of finished goods		**(33,588)**	(39,550)
Other income		**3,434**	4,219
Other gains or losses		**350**	29,567
Staff costs		**(143,782)**	(155,573)
Depreciation of property and equipment		**(12,312)**	(11,943)
Finance costs		**(328)**	(3,367)
Other expenses		**(127,584)**	(122,546)
Profit before taxation		**17,078**	15,066
Taxation	3	**(12,303)**	3,564
Profit for the period	4	**4,775**	18,630
Profit for the period attributable to:			
Owners of the Company		**6,736**	20,157
Non-controlling interests		**(1,961)**	(1,527)
		4,775	18,630
Earnings per share			
Basic and diluted	5	**0.9 HK cents**	2.6 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March, **2014** *HK$'000*	2013 *HK$'000*
Profit for the period	**4,775**	18,630
Other comprehensive income (expense):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**76**	(13)
Total comprehensive income for the period	**4,851**	18,617
Total comprehensive income for the period attributable to:		
Owners of the Company	**6,786**	20,131
Non-controlling interests	**(1,935)**	(1,514)
	4,851	18,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2014** **HK$'000**	Audited As at 30th September, 2013 HK$'000
Non-current assets			
Intangible assets		**59,519**	59,484
Goodwill		**3,012**	3,012
Investment properties		**223,275**	222,734
Property and equipment		**41,727**	43,942
Rental deposits		**37,237**	34,862
Deferred tax assets		**3,599**	11,302
		368,369	375,336
Current assets			
Inventories		**41,679**	48,957
Trade receivables	7	**40,066**	24,318
Prepayments		**38,468**	40,171
Other deposits and receivables		**12,751**	10,205
Bank balances and cash		**204,550**	184,708
		337,514	308,359
Current liabilities			
Trade payables	8	**2,363**	6,801
Accruals and other payables		**82,131**	72,860
Receipts in advance		**303,364**	272,494
Secured mortgage loan – due within one year		**2,898**	3,102
Tax payable		**6,630**	10,873
		397,386	366,130
Net current liabilities		**(59,872)**	(57,771)
Total assets less current liabilities		**308,497**	317,565
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**187,088**	191,761
Equity attributable to owners of the Company		**263,483**	268,156
Non-controlling interests		**6,369**	8,304
Total equity		**269,852**	276,460
Non-current liabilities			
Pension obligations		**116**	116
Secured mortgage loan – due after one year		**27,021**	28,481
Deferred tax liabilities		**11,508**	12,508
		38,645	41,105
		308,497	317,565

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

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, 2014, 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, 2013.

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, 2014 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2013.

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:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11, and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Impact of the application of HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The adoption of HKFRS 10 has no impact on the consolidation of investments held by the Group.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 "Interim Financial Reporting"
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. TURNOVER AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the CODM, 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 following is an analysis of the Group's turnover and results by operating segments for the period under review:

	Retail segment		**Services segment**		**Elimination**		**Consolidation**	
	Six months ended 31st March,		**Six months ended 31st March,**		**Six months ended 31st March,**		**Six months ended 31st March,**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**99,829**	111,305	**231,059**	202,954	**–**	–	**330,888**	314,259
Inter-segment sales	**26,313**	12,802	**–**	–	**(26,313)**	(12,802)	**–**	–
Total	**126,142**	124,107	**231,059**	202,954	**(26,313)**	(12,802)	**330,888**	314,259
Segment results	**(6,165)**	116	**51,344**	18,210	**–**	–	**45,179**	18,326
Other income							**3,434**	4,219
Other gains or losses							**350**	29,567
Finance costs							**(328)**	(3,367)
Central administrative costs							**(31,557)**	(33,679)
Profit before taxation							**17,078**	15,066

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 resources allocation and performance assessment.

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

3. TAXATION

	Six months ended 31st March, 2014 HK$'000	2013 HK$'000
Current taxation		
Current period	**5,600**	2,990
Deferred taxation		
Current period	**6,703**	(6,554)
	12,303	(3,564)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 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% (2013: 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 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, 2014 HK$'000	2013 HK$'000
Profit for the period is stated at after charging:		
Amortisation of intangible assets	**129**	130
Interest expenses on secured mortgage loan	**328**	357
Effective interest expenses on convertible bond	**–**	3,010
Loss on fair value change of an investment property	**–**	960
Loss on disposal/write-off of property and equipment	**32**	886
Net exchange losses	**159**	841
and after crediting:		
Gain on fair value change of investment properties	**541**	32,254
Interest income on bank deposits	**604**	1,515
Rental income from investment properties	**2,250**	2,245

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, 2014	2013
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**6,736**	20,157

	Number of shares 2014	2013
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 does not assume:

(i) the exercise of the Company's outstanding share options for the period ended 31st March, 2013 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 the year ended 30th September, 2013);

(ii) the conversion of the Company's outstanding convertible bond for the period ended 31st March, 2013 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).

6. DIVIDENDS

	Six months ended 31st March, 2014	2013
	HK$'000	*HK$'000*
Interim dividend proposed of 1.0 HK cents (2013: 2.5 HK cents) per share	**7,640**	19,099

During the six months ended 31st March, 2014, a final dividend of 1.5 HK cents (2013: 4.0 HK cents) per share totalled approximately HK$11,459,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2013 (2013: HK$30,558,000 was paid in respect of the year ended 30th September, 2012).

At the Board meeting held on 28th May, 2014, the directors declared an interim dividend of 1.0 HK cents (2013: 2.5 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, 2014	As at 30th September, 2013
	HK$'000	*HK$'000*
0 to 30 days	**38,964**	22,901
31 days to 60 days	**362**	932
61 days to 90 days	**113**	48
Over 90 days	**627**	437
	40,066	24,318

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, 2014	As at 30th September, 2013
	HK$'000	*HK$'000*
0 to 30 days	**2,363**	6,801

9. **EVENT AFTER THE REPORTING PERIOD**

There was no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The six-month period from 1st October, 2013 to 31st March, 2014 was one in which the Group began to see the early fruits of its new strategy “strengthen the core, seed for the future”. Signs of a definite shift back towards growth were evident, especially in the Hong Kong market, when compared with the same period last year. In Hong Kong, growth in sales of 7.0% was more than double the city’s average economic growth for the period, and was largely driven by the spending of local consumers.

The Group’s service business has established itself as a serious growth driver, while the streamlining of its existing retail business continues to generate greater efficiency and improved profitability. During the period, the Group revisited its operations in all regions and closed down a number of under-performing or loss-making outlets.

As at 31st March, 2014, the balance of sales mix from the Group’s beauty services sales and retail sales stood at approximately 70% to 30%, up from around 65% to 35% at the same point last year. Performance from the Group’s range of beauty services was strong across the board, and this was supported by encouraging results from the retail side.

SPA & BEAUTY BUSINESS

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

The Group’s service sector in Hong Kong performed uniformly impressively across the period, with beauty services sales growing by around 15% on average and good profitability achieved from all the above-mentioned units. Particularly outstanding were the performances of the Oasis Beauty and Oasis Spa outlets, which each managed growth of at least 15%.

As at 31st March, 2014, the Group operated 14 Oasis Beauty centres, 3 Oasis Spa centres and 5 Oasis Medical Centres in Hong Kong, along with 2 Aqua Beauty centres and 1 Oasis Homme centre. This represents no change in the numbers of six months ago.

Over the period under review, the Group has begun a process of gradual refurbishment of its Oasis Beauty stores, refreshing their image and upgrading their environment. Refurbishment of the Mongkok store has been completed, and those in Central and Shatin will be next on the list. The Group believes this refurbishment will help maintain a fresh, relevant brand image in the minds of target consumers.

Given the growing popularity of the Group’s Oasis Medical Centre services, the Group is in the process of opening a new Oasis Medical Centre in Central, where it has not previously had a presence. This branch, due to open in the autumn of 2014, will be located in the Entertainment Building in Central, on the same building on which its Oasis Spa outlet and new Glycel Skin Spa are located.

In the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchise operation. The Beijing outlets are profitable and performing satisfactorily, while the newer Shanghai outlet is still in the process of establishing itself and holds plenty of potential. The Group is looking to consolidate its presence in these major centres before seeking further expansion.

BRAND OWNERSHIP & DISTRIBUTION

Glycel

The Group's Glycel brand performed well throughout the period. However, to "strengthen the core, seed for the future", the Group made some adjustments to its Glycel operations. For example, it reviewed the performance of Glycel outlets outside its core market of Hong Kong and closed down under-performing or loss-making department store concession counters. As a result, as at 31st March, 2014, there was just 1 Glycel retail shop still operating in the PRC, located in Shanghai IAPM (against 6 outlets as at 30th September, 2013), while the Group has ended all its Glycel operations in Taiwan.

In Hong Kong at period-end there were 16 Glycel outlets in operation, including a new store in the Cityplaza shopping mall in Taikoo Shing. Recently, the Group opened a larger outlet in Macau which has brought greater capacity for Glycel as well as for h_2o+. Generally, sales in Macau have been satisfactory across the period, and the Group expects this market to be a growth driver in the future.

The growing popularity of the Glycel brand in Hong Kong has meant the capacity of the Group's Central outlet in the Bank of East Asia Building is unable to meet demand. In autumn of 2014, the Group will relocate its Glycel store to a new venue in the Entertainment Building in Central and open a new Oasis Medical Centre on the same premises, a location which is approximately three times larger than the current one. Apart from the new Glycel store and new Oasis Medical Centre, the Group has an existing Oasis Spa outlet in the building. The new arrangement will help strengthen brand recognition, as well improving the cost-effectiveness of staffing arrangements.

The Group is continuing to use charity sponsorships as a way of promoting its Glycel brand. As last year, Glycel is one of the key Sponsors of this year's Wai Yin Association Charity Ball 2014, to hold in May 2014.

h_2o+

The h_2o+ brand business retains a large and loyal customer base in Hong Kong. The Group has continued to market h_2o+ effectively and generate new customers, and is committed to the brand as a long-term member of its product portfolio. As part of its "strengthen the core" strategy, the focus has however been firmly turned on Hong Kong and Macau. It is therefore likely that the Group will relinquish its very small Singapore h_2o+ operation in coming months, in order to focus more effectively on local development.

The Group recently re-engaged longtime brand spokesperson, local celebrity Ms. Joey Yung, as the 'face' of h_2o+ as well as of Oasis Beauty, a move which will further help to inject fresh excitement into the brand.

In Hong Kong and Macau, there were 18 h_2o+ outlets in operation at the end of the period under review.

Erno Laszlo

The Group's Erno Laszlo brand continues to prosper in Hong Kong, demonstrating steady growth in the half and continuing to consolidate its position. Currently there are 8 Erno Laszlo branches around Hong Kong. A new store opened in Cityplaza shopping mall in Taikoo Shing has met with early success. The Group's distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

Outlook

The Group has vigorously pursued its new strategy of "strengthen the core, seed for the future" over the past six months, and seen clear signs of its success already beginning to emerge. Its foundational retail business remains in place, and the complications and reversals that have arisen over the past couple of years have been addressed. Streamlined and refreshed, with an eye on profitability and steady growth potential, the Group's retail operations have been given a solid foundation for the future. Meanwhile, the Group's service business is outperforming the economy as a whole, and generating good profitability. In short, the initiatives of the past few months have restored momentum to the Group and given it renewed energy for new growth. As always, the Group will remain alert to possible new business opportunities and investments, but only within the overall focus of "strengthening the core".

The Group is beginning to explore the use of wholesale channels and TV shopping channel for distributing its brands. To date, most of its brands have been sold through brand stores or manned counters; now it is discussing the possibility of some large retail chains in both Hong Kong and the PRC stocking its brands on a wholesale basis.

Overall, the position of the Group halfway through the 2013/14 financial year is a good one, although this has yet to be fully reflected in the bottom line. Once further adjustments to operations have been made, including the final stages of weeding out underperforming or unprofitable operations, the Group will stand unencumbered and ready to plan for future growth without complications.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2014, the Group had net current liabilities of approximately HK$59.9 million (as at 30th September, 2013: HK$57.8 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2014, the Group had cash reserves of approximately HK$204.6 million (as at 30th September, 2013: HK$184.7 million).

As at 31st March, 2014, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$269.9 million (as at 30th September, 2013: HK$276.5 million) was approximately 11.1% (as at 30th September, 2013: 11.4%). 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, 2014.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31st March, 2014.

HUMAN RESOURCES

As at 31st March, 2014, the Group employed 811 staff (as at 30th September, 2013: 853 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 1.0 HK cents per share for the six months ended 31st March, 2014 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 18th June, 2014. The Register of Members will be closed from Monday, 16th June, 2014 to Wednesday, 18th June, 2014, 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 Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13th June, 2014. The relevant dividend warrants will be dispatched to shareholders on Monday, 30th June, 2014.

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, 2014 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

During the period under review, the Company did not redeem any of its listed shares nor did the Company or its subsidiaries purchase or sell any such shares.

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 (the "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", but Mr. Yu Kam Shui, Erastus, an executive director, is carrying out the duty of the chairman. With effect from 2nd October, 2013, Ms. Wong Man Lai, Stevie has been appointed as the CEO of the Company and the Code Provision A.2.1 has been complied.

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 (the "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, 2014 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
WATER OASIS GROUP LIMITED
Yu Kam Shui, Erastus
Executive Director

Hong Kong, 28th May, 2014

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.