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, 2015

FINANCIAL HIGHLIGHTS

- For the period under review, Group's turnover increased by 7.2% to approximately HK$354.7 million when compared with that of last year. This was mainly attributable to the strong sales performance in our beauty services segment, representing a double digit growth of 12.6% in its own segment.
- Gross profit margin further increased to approximately 90.6% from 89.8% due to greater contribution made by the Group's high margin products and beauty services.
- Profit for the period increased by 603.1% to approximately HK$33.6 million when compared with that of last year. This reflected the effectiveness of the Group's "strengthening the core" strategy as well as the absence of some one-off factors mentioned in previous periods.
- Excluding these one-off factors, the Group's profit for the period still increased by 40.4%. However, the Group's turnover was relatively stable when compared with the immediately preceding six-month period under review.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 73% in beauty services and 27% in retail sales.
- Recommended an interim dividend of 4.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

Glycel Skinspa, Oasis Medical Centre, Oasis Beauty (including Aqua Beauty and Oasis Homme) and Oasis Spa

- As at 31st March, 2015, the Group operated 8 Glycel Skinspa, 18 Oasis Beauty centres (including 2 Oasis Homme and 2 Aqua Beauty), 3 Oasis Spa centres and 6 Oasis Medical Centres in Hong Kong, while in PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing, along with 1 franchised operation.

- A new flagship store located in Central Entertainment Building was opened, comprising Oasis Medical Centre, Glycel and Oasis Homme which help consolidating the brands' profile as well as streamlining running costs and staffing arrangements.
- Particularly outstanding performers in beauty service sector with double-digit growth in sales included our Glycel and Oasis Medical brands. Sales performance of Oasis Beauty remained roughly the same as in the comparable previous period while Oasis Spa posted a decrease in sales.
- Building on the strong momentum of the Glycel brand, the Group is planning to take advantage of the upcoming 30th anniversary to launch a major sales push for this brand.
- The Group's new Oasis Health service was launched in April 2015 offering tailored nutritional advices by our registered dietitian to our beauty services customers. In addition, a series of Oasis Health healthcare products is planned to launch later.

Retail Business

Glycel, Erno Laszlo and h_2o+

- As at 31st March, 2015, the Group operated 7 outlets of Glycel, 8 outlets of Erno Laszlo and 14 outlets of h_2o+ in Hong Kong.
- Retail sales performance of our self-owned brand Glycel was also outstanding achieving a double-digit growth in sales when compared with that of same period last year.
- Two new Glycel outlets were opened during the period including 1 in Venetian Macao-Resort-Hotel in Macau and 1 in Hong Kong International Airport Terminal 2.
- Sales of Erno Laszlo were up by 12.4% for the period under review, reflecting strong demand for the brand and continuing the momentum of recent years which had served to establish Erno Laszlo as a well-recognized skincare brand in Hong Kong.
- The Group's h_2o+ business remained stable although the brand experienced a turndown in sales for the period under review mainly due to the closure of some underperforming stores.
- During the period under review, the Group launched a professional medical beauty product line "DermaSynergy" to supplement the medical beauty treatments on offer at our Oasis Medical Centres, delivering a total medical beauty solution to our customers.

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, 2015.

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,	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**354,673**	330,888
Purchases and changes in inventories of finished goods		**(33,455)**	(33,588)
Other income		**3,112**	3,434
Other gains or losses		**518**	350
Staff costs		**(150,286)**	(143,782)
Depreciation of property and equipment		**(12,232)**	(12,312)
Finance costs		**(297)**	(328)
Other expenses		**(120,472)**	(127,584)
Profit before taxation		**41,561**	17,078
Taxation	3	**(7,987)**	(12,303)
Profit for the period	4	**33,574**	4,775
Profit for the period attributable to:			
Owners of the Company		**31,604**	6,736
Non-controlling interests		**1,970**	(1,961)
		33,574	4,775
Earnings per share			
Basic and diluted	5	**4.1 HK cents**	0.9 HK cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March,	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**33,574**	4,775
Other comprehensive (expense) income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(83)**	76
Total comprehensive income for the period	**33,491**	4,851
Total comprehensive income for the period attributable to:		
Owners of the Company	**31,532**	6,786
Non-controlling interests	**1,959**	(1,935)
	33,491	4,851

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2015** *HK$'000*	Audited As at 30th September, 2014 *HK$'000*
Non-current assets			
Intangible assets		**59,260**	59,389
Goodwill		**3,012**	3,012
Investment properties		**230,027**	229,478
Property and equipment		**40,283**	38,482
Rental deposits		**32,700**	34,745
Deferred tax assets		**5,596**	5,380
		370,878	370,486
Current assets			
Inventories		**37,967**	34,143
Trade receivables	7	**37,113**	25,662
Prepayments		**51,411**	47,348
Tax recoverable		**2,010**	287
Other deposits and receivables		**8,539**	12,766
Bank balances and cash		**250,924**	243,367
		387,964	363,573
Current liabilities			
Trade payables	8	**6,029**	8,473
Accruals and other payables		**74,786**	79,836
Receipts in advance		**328,781**	287,407
Secured mortgage loan – due within one year		**2,960**	2,930
Tax payable		**14,339**	16,057
		426,895	394,703
Net current liabilities		**(38,931)**	(31,130)
Total assets less current liabilities		**331,947**	339,356
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**213,112**	220,366
Equity attributable to owners of the Company		**289,507**	296,761
Non-controlling interests		**7,279**	5,983
Total equity		**296,786**	302,744
Non-current liabilities			
Secured mortgage loan – due after one year		**24,061**	25,551
Deferred tax liabilities		**11,100**	11,061
		35,161	36,612
		331,947	339,356

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, 2015, 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, 2014.

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, 2015 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2014.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The amendments allow a limited scope exception to consolidation for investment entities. Under the amendments, if an entity meets the definition of an investment entity, it is required to measure its interests in subsidiaries at fair value through profit or loss (rather than to consolidate the subsidiaries). For subsidiaries providing services that relate to the investment entity's investment activities, the exception does not apply (i.e. still need to be consolidated).

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities. The adoption of amendments to HKFRS 10, HKFRS 12 and HKAS 27 has no impact on the consolidation of investment held by the Group.

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application. The adoption of amendments to HKAS 32 has no impact on the financial assets and financial liabilities held by the Group.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurement". The amendments require retrospective application. The adoption of amendments to HKAS 36 has no impact on the non-financial assets held by the Group.

Except as described above, the application of the other amendments to HKFRSs and the new interpretation in the current interim period had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. **TURNOVER AND SEGMENT INFORMATION**

Information reported to the Company's executive directors, being the chief operating decision makers, 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 Six months ended 31st March,		Services segment Six months ended 31st March,		Elimination Six months ended 31st March,		Consolidation Six months ended 31st March,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**94,616**	99,829	**260,057**	231,059	**–**	–	**354,673**	330,888
Inter-segment sales	**26,131**	26,313	**–**	–	**(26,131)**	(26,313)	**–**	–
Total	**120,747**	126,142	**260,057**	231,059	**(26,131)**	(26,313)	**354,673**	330,888
Segment results	**19,611**	(6,165)	**54,362**	51,344	**–**	–	**73,973**	45,179
Other income							**3,112**	3,434
Other gains or losses							**518**	350
Finance costs							**(297)**	(328)
Central administrative costs							**(35,745)**	(31,557)
Profit before taxation							**41,561**	17,078

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, 2015 HK$'000	2014 HK$'000
Current taxation		
Current period	**8,180**	5,600
Deferred taxation	**(193)**	6,703
	7,987	12,303

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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% (2014: 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, 2015 HK$'000	2014 HK$'000
Profit for the period is stated at after charging:		
Amortisation of intangible assets	**129**	129
Allowance for doubtful debts	**274**	–
Interest expenses on secured mortgage loan	**297**	328
Write-off of property and equipment	**350**	36
Net exchange losses	**–**	159
and after crediting:		
Gain on fair value change of investment properties	**549**	541
Interest income on bank deposits	**745**	604
Net exchange gain	**15**	–
Gain on disposal of property and equipment	**303**	4
Rental income from investment properties	**2,277**	2,250

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,	
	2015	2014
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**31,604**	6,736

	Number of shares	
	2015	2014
Number of ordinary shares for the purposes of basic and diluted earnings per share	**763,952,764**	763,952,764

No adjustment had been made to the basic earnings per share for the six-month ended 31st March 2014 and 2015 as the Company had no potentially dilutive ordinary shares in issue during those periods.

6. DIVIDENDS

	Six months ended 31st March,	
	2015	2014
	HK$'000	*HK$'000*
Interim dividend proposed of 4.0 HK cents (2014: 1.0 HK cent) per share	**30,558**	7,640

During the six months ended 31st March, 2015, a final dividend of 5.0 HK cents (2014: 1.5 HK cents) per share totalled approximately HK$38,197,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2014 (2014: HK$11,459,000 was paid in respect of the year ended 30th September, 2013).

At the Board meeting held on 27th May, 2015, the directors declared an interim dividend of 4.0 HK cents (2014: 1.0 HK cent) 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, 2015	As at 30th September, 2014
	HK$'000	*HK$'000*
0 to 30 days	**37,086**	25,576
31 days to 60 days	**–**	12
61 days to 90 days	**–**	71
Over 90 days	**27**	3
	37,113	25,662

Movement in the allowance for trade receivables:

	As at 31st March, 2015	As at 30th September, 2014
	HK$'000	*HK$'000*
Balance at beginning of the period	**1,093**	1,093
Impairment loss recognized	**274**	–
Balance at end of the period	**1,367**	1,093

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, 2015	As at 30th September, 2014
	HK$'000	*HK$'000*
0 to 30 days	**6,029**	8,473

9. EVENT AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

RESULTS AND DIVIDEND

For the six months ended 31st March, 2015, the Group's turnover rose by 7.2% by comparison with the same period last year, to approximately HK$354.7 million (six months ended 31st March, 2014: HK$330.9 million). The gross profit margin rose to around 90.6% from 89.8% for the same period last year, on the back of a greater contribution from the Group's services sector in which profit margins are typically higher. Profit for the period rose by 603.1% compared with the same period last year, to HK$33.6 million (six months ended 31st March, 2014: HK$4.8 million). This large rise in profit reflected the effectiveness of the Group's strategy of "strengthening the core", as well as the fact that the figures for the comparable period last year were unrepresentative due to a number of special one-off factors as mentioned in previous periods. Excluding these one-off factors, the Group's profit for the period increased by approximately 40.4% when compared with the same period last year. However, by comparison with the six-month period immediately preceding the period under review, the Group's turnover was relatively stable. This stability was achieved despite exceptional external pressures in the Hong Kong environment during the period, discussed below, which impacted negatively on many Hong Kong retailers.

The Group retained a strong cash position of approximately HK$250.9 million as at 31st March, 2015, which represents an increase of HK$46.4 million over its cash in hand 12 months earlier.

The Board has resolved to declare an interim dividend of 4.0 HK cents per share for the six months ended 31st March, 2015 (six months ended 31st March, 2014: 1.0 HK cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

In the six-month period from 1st October, 2014 to 31st March, 2015, the Group continued with the consistent implementation of the latest phase of its development programme, summarized in its slogan "Strengthen the Momentum: Transform and Innovate". It has been a challenging time for all retailers in Hong Kong, with a number of significant shocks affecting the retail environment. The 'Occupy Central' movement created severe disruption for many businesses, and since then, conflicts and challenges regarding Mainland visitors involved in 'parallel trading' have raised controversy in Hong Kong and led most recently (April 2015) to restrictions being placed on the frequency of visits by Mainland residents. Other developments have also taken some of the gloss off Hong Kong as a retail destination for Mainland tourists, and falls have been recorded in the number of arrivals. Furthermore, the steady appreciation of the US dollar, to which the Hong Kong dollar is pegged, also contributed to making Hong Kong less attractive as a holiday destination. Despite all this, the Group was able to achieve successful overall results and a steady momentum of growth across its business sectors.

As at 31st March, 2015, the sales mix of the Group's beauty services sales and retail sales stood at approximately 73% to 27%, up from around 70% to 30% at the same point last year. The change reflects the ongoing shift towards a focus on beauty services that has continued to take place over the year. A drop in retail sales of h_2o+ also contributed to the greater weighting of the beauty services segment for the period; this was also partly due to the fact that, in last year's interim results, the Group was still recording results for Glycel outlets in the PRC and Taiwan, since closed.

It is worth recapping the strategies introduced by the Group over the past 18 months or so that have contributed to its steady performance and continuing momentum. Its activities have been based on five key pillars for growth, as follows:

1) Innovation: there has been a constant rethinking and innovating across the board in terms of products and services offered, hardware used, and so forth.

2) Customer experience: the focus has been on upgrading customers' experience and providing them with the highest service quality during their visits to both beauty centres and retail stores.

3) Flagship business model: the establishment of flagship operations in Central Hong Kong has brought greater brand awareness coupled with improved cost efficiencies and effectiveness.

4) Multi-brand marketing: from last August, the Group has brought many of its diverse brands together under the 'Oasis' brand umbrella, making for more effective brand recognition and streamlined marketing effectiveness.

5) Channels: the Group has been constantly exploring new business opportunities and channels, including boosting online e-commerce and developing new wholesale channels.

As mentioned in last year's annual report, one of the Group's strategies over the past two years has been to focus its attention primarily on Hong Kong, and particularly on the beauty services sector. This has involved it pouring significant resources into the Hong Kong local market, rather than catering for the Mainland tourist market. This strategic focus on Hong Kong has proved to be a good move, especially in the light of the recent external business environment and government policy affecting relations between China and Hong Kong, mentioned above, which have reduced Mainland visitor retail spending in Hong Kong.

BEAUTY SERVICES BUSINESS

The Group's beauty services segment includes a range of services under the 'Oasis' brand (including Oasis Beauty, Oasis Spa, Oasis Homme, Oasis Medical Centre, Oasis Health and Mini Nail by Angelababy). It also includes 'Skinspa' services under its Glycel brand.

In the period under review, the Group's services segment once again performed strongly, with Oasis Medical Centre and Glycel being the standout performers. Overall, the sector recorded an increase in sales of approximately 12.6%. Within this, the performance of Oasis Beauty remained roughly the same as in the comparable previous period, while Oasis Spa posted a decrease in sales. New initiatives for Oasis Medical Centre and Glycel, however, boosted the performance of these brands significantly, helping them achieve strong sales growth of 37.5% and 42.2% respectively.

One highlight of the period was the opening of the Group's flagship store in the Entertainment Building in Central, Hong Kong. Combining Oasis Medical Centre, Glycel and Oasis Homme service centres, the new flagship model is helping consolidate the Group's brand profile among customers as well as streamlining running costs and staffing arrangements.

The rebranding initiative undertaken last year to bring together many of the Group's services more tightly under the 'Oasis' brand name has proven very successful to date, helping create a more focused and coherent brand identity and opening up synergies between the various parts. It has also enabled the Group to invest more in the overall brand profile, rather than splitting up its investment into different parts.

One of the standout performers under the Oasis stable has been Oasis Medical Centre, which is proving a real growth engine of the Group. Further expansion of its services offers a good way of enhancing the customer base and boosting sales. To this end, during the period the Group launched a professional medical beauty product 'DermaSynergy' to supplement the medical beauty treatments on offer at the centres, thus delivering a total medical beauty solution to customers. The DermaSynergy product line has been specially designed to enhance the effects of the treatment through its four-step 28-day cycle.

As at 31st March, 2015, the Group operated 14 Oasis Beauty centres, 2 Aqua Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, 2 Oasis Homme centres and an online Oasis Florist in Hong Kong, along with 1 Mini Nail by Angelababy outlet. In the PRC, 3 self-managed Oasis Beauty centres were in operation, together with 1 franchised Oasis Beauty centre.

RETAIL BUSINESS

The Group's retail business involves the sales of products under three self-owned brands – Glycel, Eurobeauté, and Oasis Medical DermaSynergy – and two licensed brands, h_2o+ and Erno Laszlo.

Self-owned brands

The Group's Glycel brand was an outstanding performer for the period, both in terms of its service performance and in retail sales of Glycel products. The brand continued to achieve double-digit growth in sales on the back of effective advertising and increasing consumer awareness of its efficacy, and has been an important contributor to the Group's improving profit margin. Hong Kong consumers have embraced Glycel enthusiastically, and the Group will tap into this further during the year to come as it leverages on the Glycel brand's 30th anniversary. In Hong Kong at period-end there were 15 Glycel outlets in operation including a newly opened outlet at Hong Kong International Airport Terminal 2. In Macau, the Group operated its Oasis Beauty Store selling Glycel and h_2o+ brands' products, and a new Glycel outlet was opened in Venetian Macao-Resort-Hotel during the period under review.

Licensed brands

The Group's h2o+ distribution business remains stable in Hong Kong, although the brand did experience a turndown in retail sales for the period, mainly due to the closure of some stores that were underperforming. As a result, there were 14 h_2o+ stores operating in Hong Kong at the end of the period, against 17 a year earlier.

Sales of Erno Laszlo were up by 12.4% for the period, reflecting strong demand for the brand and continuing the momentum of recent years which has served to establish Erno Laszlo as a well-recognized skincare brand in Hong Kong. There were 8 Erno Laszlo branches in Hong Kong as at 31st March, 2015.

Outlook

The Group's performance over the six months under review has reinforced the effectiveness of its long-term growth strategy, especially given the way it has been able to ride out the challenges of the period. Going forward, the same five key development principles described above will continue to be applied to drive the Group's future progress. It will continue the process of innovating and transforming by utilizing new technology and new market insights, and will push on in its efforts to enhance the level of customer experience it offers across its services. Opportunities to expand its flagship store model will be explored, and new channels for product and service delivery tested, all under a multi-brand marketing approach.

Building on the strong momentum of the Glycel brand, the Group is planning to take advantage of the upcoming 30th anniversary of this brand, first developed and launched in Switzerland in 1985, to launch a major sales push for Glycel in Hong Kong. Glycel was acquired exclusively by the Group in 2010, and has been going from strength to strength in the five years since, emerging as one of its most significant contributors.

In addition, the Group will continue its efforts to enhance customers' experience in ways that will increase their satisfaction levels and hence their brand loyalty. Here the focus is on refurbishment that lifts customer experience, rather than geographical expansion, with the end result being a premium beauty services environment for customers. Included in this process of upgrading is the constant renewal of beauty machines and medical equipment for offering clients the very latest and best equipment in the field.

In order to provide customers with an even more comprehensive stable of services, the Group's new Oasis Health service was launched as recently as April 2015, to strong positive market response. The customers are able to receive tailored nutritional advice from a registered dietitian in tandem with beauty and body treatments delivered under beauty services brands. A series of Oasis Health healthcare products is planned for launch later.

In summary, despite many uncertainties remaining in the economic outlook for Hong Kong as a whole, as it wrestles with political issues and issues relating to the influx of Mainland visitors, the Group remains cautiously optimistic about its performance prospects for the coming period. Unlike a number of competitors have built their business growth on sales to Mainland visitors, the Group has all along retained a firm focus on retaining and developing a local Hong Kong clientele. In short, the Group has performed steadily in line with its strategies and expectations over the past six months, and is continuing to work on initiatives that it expects to maintain the upward momentum throughout the period to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2015, the Group had net current liabilities of approximately HK$38.9 million (as at 30th September, 2014: HK$31.1 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2015, the Group had cash reserves of approximately HK$250.9 million (as at 30th September, 2014: HK$243.4 million).

As at 31st March, 2015, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$296.8 million (as at 30th September, 2014: HK$302.7 million) was approximately 9.1% (as at 30th September, 2014: 9.4%). 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, 2015.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31st March, 2015.

HUMAN RESOURCES

As at 31st March, 2015, the Group employed 789 staff (as at 30th September, 2014: 809 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 4.0 HK cents per share for the six months ended 31st March, 2015 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17th June, 2015. The Register of Members will be closed from Monday, 15th June, 2015 to Wednesday, 17th June, 2015, 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, 12th June, 2015. The relevant dividend warrants will be dispatched to shareholders on Monday, 29th June, 2015.

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, 2015 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, the Company has complied with the code provisions set out in the Corporate Governance 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.

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, 2015 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, 27th May, 2015

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.