Water OASIS Group
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WATER OASIS GROUP LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31ST MARCH, 2017

FINANCIAL HIGHLIGHTS

- For the period under review, the Group's turnover increased by 3.5% to approximately HK$326.5 million as compared with that of last year. This was mainly due to the increased contribution from our service segment which offsets the decrease in retail sales performance.
- The Group's sales mix rose to approximately 77.2% in beauty services and 22.8% in retail sales, comparing to 73.3% and 26.7% with that of same period last year.
- Gross profit margin for this period increased to approximately 91.6% from 90.4% for the same period last year.
- A series of prudent cost control measures had been implemented to increase competitiveness which included the closure of a number of unprofitable outlets. For the period under review, all four expenditure areas of advertising, depreciation, rental and staff costs were successfully reduced by 12.3%, 20.7%, 8.2% and 3.7% respectively when compared with that of the same period last year, resulting in an increase in profit for the period by 270.3% to HK$34.9 million.
- The Group retained a strong cash position of approximately HK$365.2 million as at 31st March, 2017, representing an increase of HK$89.0 million over same period last year.
- Recommend the payment of an interim dividend of 4.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- The Group's Hong Kong beauty services segment performance was strong across all its brands which included Glycel, Oasis Beauty, Oasis Spa, Oasis Homme, and Oasis Medical Centre. By comparison with the same period last year, the Group's Oasis Spa and Oasis Medical Centre put in good performances, each achieving double-digit growth in sales, while Glycel and Oasis Beauty both also had a good single digit growth. These positive results were sustained by the Group's commitment towards investing in the latest high-tech beauty equipment and new digital marketing tools.
- As at 31st March, 2017, the Group operated 9 Glycel Skinspas, 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres, and 2 Oasis Homme centres in Hong Kong as well as 3 self-managed Oasis Beauty centres in PRC.

Retail Business

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy, and two licensed brands, H2O+ and Erno Laszlo.
- The Group continued to close down underperforming retail outlets which included 4 H2O+ stores since the last interim period. Despite the effect of such closures on the sales performances by comparison with the same period last year, the bottom line showed positive results as a result of the reduction of both rental and staff costs on these non-profitable outlets.
- As at 31st March, 2017, the Group was operating 5 H2O+ outlets, 5 Erno Laszlo stores, 4 Glycel stores in Hong Kong as well as 1 further Glycel outlet and 1 Oasis Beauty Store in Macau.

Outlook

- The Group will continue to explore opportunities for online commerce in its industry with great potential and continue to be look closely at new equipment for its beauty outlets, and upgrade and expand its product as well as equipment range to maintain its status at the head of the market.

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, 2017.

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,	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**326,536**	315,458
Purchases and changes in inventories of finished goods		**(27,554)**	(30,270)
Other income		**4,103**	3,404
Other gains or losses		**(320)**	(1,100)
Staff costs		**(144,045)**	(149,606)
Depreciation of property and equipment		**(8,557)**	(10,790)
Finance costs		**(234)**	(267)
Other expenses		**(107,065)**	(113,132)
Profit before taxation		**42,864**	13,697
Taxation	3	**(8,011)**	(4,284)
Profit for the period	4	**34,853**	9,413
Profit for the period attributable to:			
Owners of the Company		**34,853**	9,407
Non-controlling interests		**–**	6
		34,853	9,413
Earnings per share			
Basic and diluted	5	**4.6 HK cents**	1.2 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March,	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**34,853**	9,413
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**–**	(2)
Reclassification adjustment of other comprehensive expense upon strike off of a subsidiary	**–**	(233)
Total comprehensive income for the period	**34,853**	9,178
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**34,853**	9,186
Non-controlling interests	**–**	(8)
	34,853	9,178

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2017** *HK$'000*	Audited As at 30th September, 2016 *HK$'000*
Non-current assets			
Intangible assets		**59,108**	59,144
Goodwill		**3,012**	3,012
Investment properties		**229,983**	229,549
Property and equipment		**31,951**	32,903
Rental deposits		**28,407**	28,727
Deferred tax assets		**4,224**	3,871
		356,685	357,206
Current assets			
Inventories		**24,462**	32,364
Trade receivables	7	**34,256**	24,011
Prepayments		**65,903**	61,235
Tax recoverable		**235**	5
Other deposits and receivables		**12,629**	13,151
Bank balances and cash		**365,242**	300,544
		502,727	431,310
Current liabilities			
Trade payables	8	**3,638**	5,124
Accruals and other payables		**67,159**	70,713
Receipts in advance		**441,168**	380,087
Secured mortgage loan – due within one year		**3,091**	3,058
Tax payable		**8,816**	12,258
		523,872	471,240
Net current liabilities		**(21,145)**	(39,930)
Total assets less current liabilities		**335,540**	317,276
Capital and reserves			
Share capital		**76,395**	76,395
Reserves		**222,042**	202,562
Equity attributable to owners of the Company		**298,437**	278,957
Non-controlling interests		**7,153**	7,153
Total equity		**305,590**	286,110
Non-current liabilities			
Secured mortgage loan – due after one year		**17,944**	19,500
Deferred tax liabilities		**12,006**	11,666
		29,950	31,166
		335,540	317,276

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, 2017, 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, 2016.

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, 2017 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2016.

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

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

The application of the amendments to HKFRSs in the current interim period has 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,	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**74,556**	84,131	**251,980**	231,327	**–**	–	**326,536**	315,458
Inter-segment sales	**11,536**	15,923	**–**	–	**(11,536)**	(15,923)	**–**	–
Total	**86,092**	100,054	**251,980**	231,327	**(11,536)**	(15,923)	**326,536**	315,458
Segment results	**18,376**	14,970	**59,547**	34,816	**–**	–	**77,923**	49,786
Other income							**4,103**	3,404
Other gains or losses							**(320)**	(1,100)
Finance costs							**(234)**	(267)
Central administrative costs							**(38,608)**	(38,126)
Profit before taxation							**42,864**	13,697

Segment results represent the profit earned by each segment without allocation of other income, other gains or losses, 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,	
	2017	2016
	HK$'000	*HK$'000*
Current tax		
Current period	**8,024**	4,246
Deferred taxation	**(13)**	38
	8,011	4,284

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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% (2016: 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,	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period is stated at after charging:		
Amortisation of intangible assets	**51**	107
Write-off of property and equipment	**784**	336
Loss on fair value change of investment properties	**–**	1,178
and after crediting:		
Net exchange gain	**30**	22
Gain on disposal of property and equipment	**–**	159
Interest income on bank deposits	**1,070**	606
Rental income from investment properties	**2,648**	2,648
Gain on fair value change of investment properties	**434**	–

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,	
	2017	2016
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**34,853**	9,407

	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**763,952,764**	763,952,764
Effect of dilutive potential ordinary shares – share options of the Company	**691,996**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**764,644,760**	763,952,764

Diluted earnings per share for the six months ended 31st March, 2016 was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during that period.

6. DIVIDENDS

	Six months ended 31st March,	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend proposed of 4.0 HK cents (2016: 1.0 HK cent) per share	**30,558**	7,640

During the six months ended 31st March, 2017, a final dividend of 2.0 HK cents (2016: 2.5 HK cents) per share totalled approximately HK$15,279,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2016 (2016: HK$19,099,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2015).

At the Board meeting held on 26th May, 2017, the directors declared an interim dividend of 4.0 HK cents (2016: 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 120 days. The following is an aging analysis of trade receivables, presented based on the payment due dates, net of allowance for bad and doubtful debts, at the end of the reporting period:

	As at 31st March, 2017	As at 30th September, 2016
	HK$'000	*HK$'000*
0 to 30 days	**34,197**	23,940
91 to 120 days	**–**	11
Over 120 days	**59**	60
	34,256	24,011

Movement in the allowance for trade receivables:

	As at 31st March, 2017	As at 30th September, 2016
	HK$'000	*HK$'000*
Balance at beginning of the period/year	**589**	589
Impairment loss recognised	**–**	–
Write-off of trade receivables	**–**	–
Balance at end of the period/year	**589**	589

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, 2017	As at 30th September, 2016
	HK$'000	*HK$'000*
0 to 30 days	**3,638**	5,124

9. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

RESULTS AND DIVIDEND

For the six months ended 31st March, 2017, the Group's turnover rose by 3.5% by comparison with the same period last year, to approximately HK$326.5 million (six months ended 31st March, 2016: HK$315.5 million). This was primarily due to a continued shift in the Group's sales mix, as the trend towards a higher contribution from the Group's services sector continued. The Group's gross profit margin also improved slightly, rising to 91.6% as against 90.4% for the same period last year, as a result of the service sector occupying a higher proportion of the sales mix. Prudent cost controls implemented by the Group led to profit for the period rising by 270.3% compared with the same period last year, to HK$34.9 million (six months ended 31st March, 2016: HK$9.4 million). The Group maintained a strong cash position, having approximately HK$365.2 million in cash in hand as at 31st March, 2017. The Board has resolved to declare an interim dividend of 4.0 HK cents per share for the six months ended 31st March, 2017 (six months ended 31st March, 2016: 1.0 HK cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six-month period from 1st October, 2016 to 31st March, 2017, the Group continued to face a very flat Hong Kong market, little changed from the previous 12 months. However, despite this environment the Group improved its performance year-on-year across all the key indicator levels of turnover, gross profit margin, costs to revenue, and bottom-line profitability. A key to this comparatively successful performance was the Group's ongoing commitment to its long-term strategic positioning initiatives, which over the past couple of years have seen ever-greater focus being placed on the Group's higher-margin service businesses. As at the end of March, 2017, the sales mix of the Group's beauty services and retail sales stood at 77.2% to 22.8%, a considerable change from the 73.3% to 26.7% ratio one year earlier. This increase of the proportion of services in the sales mix reflects both an increase in sales from the service segment and a decrease in retail sales in the period under review. In tandem with this, the Group continued with a series of prudent cost-control measures in the period designed to increase its competitiveness, which have helped it reduce rental, advertising and staff costs, especially those associated with its retail business. These measures resulted in a fall in sales of its retail products in line with the reduction in unprofitable sales outlets, but this was offset by increases in revenue from other segments of the Group's business. The outcome has therefore been a favourable one, with cost reductions going hand in hand with increased revenue.

All four expenditure areas of advertising, depreciation, rental and staff costs were successfully reduced in the period under review. The reduction in rental and staff costs mostly sprang directly from the decision to close several underperforming retail outlets, although the Group also looked closely at its staffing structures and was able to identify further areas for rationalisation. In total, advertising costs were reduced by 12.3%, depreciation costs by 20.7%, rental and staff costs by 8.2% and 3.7% respectively.

BEAUTY SERVICES BUSINESS

The majority of the Group's beauty services are bundled together under its highly regarded 'Oasis' brand name. These include its major beauty outlets Oasis Beauty, Oasis Spa, Oasis Homme, and Oasis Medical Centre, along with a number of smaller specialist Oasis brands that include Oasis Nail, Oasis Florist and Oasis Health. Operating separately under the Group's beauty services umbrella is its 'Skinspa' services, under the Glycel brand.

In the period under review, performance was strong across this stable of brands as the Group further increased its focus on the beauty services sector. In particular, the Group's high-end Oasis Spa and its advanced aesthetic medical beauty Oasis Medical Centre put in good performances, each achieving double-digit growth in sales by comparison with the same period last year. The positive results from the beauty services business were sustained by the Group's commitment to investing in the latest high-tech beauty equipment, expenditure on which resulted in an increase in the Group's capital expenditure for the period compared with last year.

The Group is also utilising new technology (such as its Oasis mobile app) and marketing tools (including new digital marketing initiatives) to expand its brand reputation in an efficient and cost-effective way. Its digital marketing strategies are proving highly effective in targeting new customers for its beauty services. This is reflected in the ever-increasing number of new customers acquired by the Group for its services business, especially for Oasis Medical Centre and Oasis Spa. There was also a comparative rise in the spending of new customers purchasing treatment packages.

The Group's mainstay Oasis Beauty outlets performed particularly well in the PRC, while also achieving a moderate sales increase in Hong Kong over the period. As at 31st March, 2017, the Group was operating 15 Oasis Beauty centres, 3 Oasis Spa centres, 6 Oasis Medical Centres and 2 Oasis Homme centres. In the PRC, 3 self-managed Oasis Beauty centres continued to operate.

RETAIL BUSINESS

On the retail side, the Group has continued to sell skincare and beauty products under three self-owned and two licensed brands, at a mixture of sales outlets. The self-owned brands are Glycel, Eurobeauté and DermaSynergy, and the licensed brands are H2O+ and Erno Laszlo.

As mentioned above, the Group has continued with its policy of closing down underperforming retail outlets. Since the last interim period, 4 H2O+ stores have been closed. While reducing rental and staff costs, the store closures naturally affected the sales performances of the various brands. Sales of all the Group's retail brands, except Glycel, experienced drops by comparison with the same period last year, as a result of the flat retail market conditions and keen competition within the retail market. However, the Group was able to achieve a positive bottom line for the period following the closure of the non-profitable outlets. As at 31st March, 2017, the Group was operating 5 H2O+ outlets, 5 Erno Laszlo stores, and 13 Glycel stores in Hong Kong. In Macau, it continued to operate a Glycel outlet, along with an Oasis Beauty Store.

OUTLOOK

In March 2017, following the departure of Ms. Wong Man Lai, Stevie, the Group appointed Mr. Tam Siu Kei, Alan ("Mr. Tam") to take up the role of new CEO. Mr. Tam has been involved with the Group for over 17 years, and thus has extensive experience both of the industry and the Group itself. He steps up to the CEO position from his previous post as Director - Group Operation. Mr. Tam brings with him a clear vision for future development of the Group and a detailed strategy for implementing it, closely aligned with the strategy that the Group has been successfully pursuing in recent years.

The Group expects to continue exploring the opportunities that are arising for online commerce in its industry, with the expectation that this relatively untapped area has great potential in Hong Kong. It made an encouraging start in February 2017 with its development of a new online trade platform called O~KO!beauty. The platform now specialises in making a range of sought-after Korean skincare products exclusively available in Hong Kong, sourced directly from Korea by the Group. Currently promoted through a dedicated Facebook page, the trendy and affordable O~KO!beauty products mainly target young women who are increasingly influenced in their consumption habits by social media trends and the recommendations of key opinion leaders, areas that the Group is further tapping into through its marketing initiatives. The official website for O~KO!beauty was launched in May 2017, and now offers a more comprehensive range of products to the customers targeted by the Group. Although this new business is still in the very early stages, feedback from users has been very positive for the first half of the financial year.

In general, the Group expects to continue on its current strategic course in the year ahead. It will continue to be look closely at new equipment for its beauty outlets, and upgrade and expand its equipment range where necessary to maintain its status at the head of the market. At the same time, it will explore any new skincare and beauty products that have the potential to expand and complement its existing range.

No major upturn is expected in the Hong Kong market generally in the year ahead. However, given that the Group has continued its successful performance of the second half of the last financial year into 2016/2017, even in a depressed market – something many of its peers have been unable to do – it has confidence that it remains on the right track for future growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2017, the Group had net current liabilities of approximately HK$21.1 million (as at 30th September, 2016: HK$39.9 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2017, the Group had cash reserves of approximately HK$365.2 million (as at 30th September, 2016: HK$300.5 million).

As at 31st March, 2017, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$305.6 million (as at 30th September, 2016: HK$286.1 million) was approximately 6.9% (as at 30th September, 2016: 7.9%). 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, 2017.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31st March, 2017.

HUMAN RESOURCES

As at 31st March, 2017, the Group employed 747 staff (as at 30th September, 2016: 741 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 and Group performance. 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, 2017 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16th June, 2017. The Register of Members will be closed from Thursday, 15th June, 2017 to Friday, 16th June, 2017, 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 Wednesday, 14th June, 2017. The relevant dividend warrants will be dispatched to shareholders on Friday, 30th June, 2017.

AUDIT COMMITTEE

The Company's Audit Committee comprises Prof. Wong Lung Tak, Patrick, Mr. Wong Chun Nam, Duffy 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.

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, 2017 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, 2017 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, 26th May, 2017

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, B.B.S., J.P. and Dr. Wong Chi Keung.