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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, 2012**

#### **FINANCIAL HIGHLIGHTS**

- Group's Profit for the period attributable to owners of the Company increased by 64.9% to approximately HK\$37.9 million as compared with that of same period last year.
- Beauty Services division's performance was outstanding in this period, achieving a double digit increase in both turnover and segment result when compared with that of same period last year.
- Recommended an interim dividend of 4.5 HK cents per share.

#### **OPERATION HIGHLIGHTS**

- On Retail side in HK, two Erno Laszlo counters located at Pacific Place Harvey Nichols and The Landmark Harvey Nichols were opened in October and December 2011 respectively. In addition, a new Erno Laszlo shop located at Hysan Place in Causeway Bay will be expected to open in the third quarter of 2012. Besides, two new Glycel shops are planned to open in HK in the second half of this fiscal year.
- On Beauty Services side in HK, two new Oasis Beauty centres were opened in Yuen Long and Tsim Sha Tsui Harbour City in December 2011 and May 2012 respectively. In PRC, two new Oasis Beauty centres were opened in Winterless Center, Beijing and Xidan, Beijing in November 2011 and March 2012 respectively.
- Glycel has successfully launched its operations in Taiwan and replaced some of the ~H<sub>2</sub>O+ outlets with Glycel outlets in strategic prime locations in the middle of March 2012. Besides, the Group has been planning to launch Glycel retail business in the PRC in the third quarter of 2012 once the hygiene permit registration process completed.
- The Group also planned to commence its Oasis Beauty franchising business in PRC in the second half of 2012 and a number of franchisees have signed up to take on this business.
- The previously announced termination of the Group's ~H<sub>2</sub>O+ distributorship rights in the PRC and Taiwan has had a limited impact on the Group's first half results, whereas the coming launching of Glycel retail business and Oasis Beauty franchising business in the PRC shall help to diversify and make up the current shortfall in the near future.

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, 2012.

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31st March,</b>	
		<b>2012</b>	2011
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(restated)
Turnover	2	<b>497,711</b>	515,502
Purchases and changes in inventories of finished goods		<b>(100,770)</b>	(117,718)
Other income		<b>4,507</b>	4,042
Other gains or losses		<b>10,586</b>	12,196
Staff costs		<b>(161,803)</b>	(151,253)
Depreciation of property, plant and equipment		<b>(16,455)</b>	(13,989)
Finance costs		<b>(3,153)</b>	(2,966)
Other expenses		<b>(187,517)</b>	(208,337)
		<hr/>	<hr/>
Profit before taxation		<b>43,106</b>	37,477
Taxation	3	<b>(6,371)</b>	(18,757)
		<hr/>	<hr/>
Profit for the period	4	<b>36,735</b>	18,720
		<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:			
Owners of the Company		<b>37,903</b>	22,982
Non-controlling interests		<b>(1,168)</b>	(4,262)
		<hr/>	<hr/>
		<b>36,735</b>	18,720
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	5	<b>5.0 HK cents</b>	3.0 HK cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted	5	<b>5.0 HK cents</b>	3.0 HK cents
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	31st March,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Profit for the period	<b>36,735</b>	18,720
Other comprehensive income:		
Exchange differences arising on translation and other comprehensive income for the period	<b>58</b>	1,480
Total comprehensive income for the period	<b>36,793</b>	20,200
Total comprehensive income for the period attributable to:		
Owners of the Company	<b>37,961</b>	24,462
Non-controlling interests	<b>(1,168)</b>	(4,262)
	<b>36,793</b>	20,200

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 31st March, 2012 <i>HK\$'000</i>	Audited As at 30th September, 2011 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Intangible assets		59,369	59,250
Goodwill		3,978	3,978
Investment properties		200,150	189,560
Property, plant and equipment		46,083	44,248
Rental deposits		29,195	27,638
Deferred tax assets		5,301	6,637
		344,076	331,311
<b>Current assets</b>			
Inventories		53,413	69,969
Trade receivables	7	82,576	65,360
Prepayments		49,078	37,719
Other deposits and receivables		21,758	32,242
Bank balances and cash		251,669	324,982
		458,494	530,272
<b>Current liabilities</b>			
Trade payables	8	5,622	19,561
Accruals and other payables		118,594	145,819
Receipts in advance		262,570	251,812
Secured mortgage loan		35,533	37,125
Tax payable		14,244	22,198
		436,563	476,515
<b>Net current assets</b>		21,931	53,757
<b>Total assets less current liabilities</b>		366,007	385,068
<b>Capital and reserves</b>			
Share capital		76,395	76,395
Reserves		208,903	228,286
<b>Equity attributable to owners of the Company</b>		285,298	304,681
<b>Non-controlling interests</b>		15,168	16,336
<b>Total equity</b>		300,466	321,017
<b>Non-current liabilities</b>			
Pension obligations		225	225
Deferred tax liabilities		20,847	21,138
Convertible bond		44,469	42,688
		65,541	64,051
		366,007	385,068

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated financial statements have been prepared in accordance 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”) and with HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2011.

### 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st March, 2012 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1st October, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosures
HK (IFRIC)–Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

<sup>1</sup> Amendments that are effective for annual periods beginning on or after 1st January, 2011

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

The Group has not early applied new or revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

### *Comparatives – Amendments to HKAS 12 “Income Taxes”*

As set out in the consolidated financial statements for the year ended 30th September, 2011, the Group early adopted the amendments to HKAS 12 titled “Deferred Tax: Recovery of Underlying Assets” for the first time in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property”. Accordingly, certain comparative figures in these condensed consolidated financial statements have been restated.

- (a) The effect of the above changes in accounting policies on the results for the six months ended 31st March, 2011 by line items are as follows:

	<i>HK\$'000</i>
Decrease in taxation and increase in profit for the period	1,856
	<u>1,856</u>
Increase in profit for the period attributable to owners of the Company	1,856
	<u>1,856</u>

- (b) The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the six months ended 31st March, 2011 are as follows:

*Impact on basic earnings per share*

	<i>HK cents</i>
Reported figure before adjustment	2.8
Adjustment arising from changes in accounting policies in respect of deferred tax on investment properties carried at fair value	0.2
	<u>0.2</u>
Restated	3.0
	<u>3.0</u>

*Impact on diluted earnings per share*

	<i>HK cents</i>
Reported figure before adjustment	2.7
Adjustment arising from changes in accounting policies in respect of deferred tax on investment properties carried at fair value	0.3
	<u>0.3</u>
Restated	3.0
	<u>3.0</u>

## 2. TURNOVER AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, i.e. the Group's Executive Directors, for the purposes of allocating resources to segments and assessing their performance are as follows:

- (i) Retail segment – the retail sales of skin-care products
- (ii) Services segment – provision of services in beauty salons, spa, medical beauty centres and other businesses

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

	Retail segment		Services segment		Elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31st March,		31st March,		31st March,		31st March,	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	<b>282,819</b>	330,116	<b>214,892</b>	185,386	-	-	<b>497,711</b>	515,502
Inter-segment sales	<b>11,654</b>	13,910	-	-	<b>(11,654)</b>	(13,910)	-	-
Total	<b>294,473</b>	344,026	<b>214,892</b>	185,386	<b>(11,654)</b>	(13,910)	<b>497,711</b>	515,502
Segment results	<b>12,752</b>	26,981	<b>61,470</b>	41,376	-	-	<b>74,222</b>	68,357
Other income							<b>4,507</b>	4,042
Other gains or losses							<b>10,586</b>	12,196
Finance costs							<b>(3,153)</b>	(2,966)
Central administrative costs							<b>(43,056)</b>	(44,152)
Profit before taxation							<b>43,106</b>	37,477

Segment results represent the profit earned by each segment without allocation of income, gains or losses of the corporation function, finance costs and central administrative costs (including directors' emoluments). This is the measure reported to the Group's directors for the purposes of resource allocation and performance assessment.

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

### 3. TAXATION

	Six months ended 31st March,	
	2012 HK\$'000	2011 HK\$'000 (restated)
Current taxation		
Current period	5,335	10,683
Overprovision in prior years	–	(176)
	<hr/>	<hr/>
	5,335	10,507
	<hr/>	<hr/>
Deferred taxation		
Current period	1,036	8,250
	<hr/>	<hr/>
	6,371	18,757
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 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% (2011: 25%) on the assessable profits except for those profits derived from the Waigaoqiao Free Trade Zone and Pudong New Area which were taxed at a preferential rate of 24% in the year 2011. The preferential rate was increased to 25% in the year 2012 pursuant to the relevant governmental notices. On 28th November, 2008, a subsidiary of the Group in Waigaoqiao Free Trade Zone has been qualified as an "operating centre" and entitled to certain tax reductions.

Withholding tax has been imposed on dividends payable to foreign shareholders out of profits generated by companies established in the PRC. Deferred taxation has been provided for in respect of the undistributed profits from the Group's PRC subsidiaries accordingly.

Taxation on profits generated outside Hong Kong/the PRC 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.

During the six months ended 31st March, 2011, deferred taxation previously recognised as deferred tax assets was reversed as a result of the discontinuation of a business line of certain group entities where future profits in relation to this discontinued business line will not be available for utilising such related deferred tax assets.



#### 4. PROFIT FOR THE PERIOD

	Six months ended 31st March,	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period is stated at after charging:		
Amortisation of intangible assets	167	212
Interest expenses on secured mortgage loan	389	416
Effective interest expenses on convertible bond	2,764	2,550
Equity-settled share-based payment expenses	3,772	8,802
and after crediting:		
Gain on fair value change of investment properties	10,590	11,250
Interest income on bank deposits	1,733	530
Rental income from investment properties	2,580	648
Net exchange gains	516	954

#### 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,	
	2012	2011
	HK\$'000	HK\$'000
		(restated)
Earnings for the purpose of basic and diluted earnings per share	<u>37,903</u>	<u>22,982</u>
<b>Number of shares</b>		
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 in respect of share options	—	7,202,210
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>763,952,764</u>	<u>771,154,974</u>

The computation of diluted earnings per share for the six months ended 31st March, 2012 has not assumed the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price of shares in the current interim period.

Diluted earnings per share for both periods do not include the effect of the convertible bond because it would result in an increase in earnings per share.

## 6. DIVIDENDS

	Six months ended 31st March,	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend proposed of 4.5 HK cents (2011: 3.0 HK cents) per share	<b>34,378</b>	22,919

During the six months ended 31st March, 2012, a final dividend of 8.0 HK cents (2011: 4.0 HK cents) per share totalled approximately HK\$61,116,000 was paid to shareholders of the Company in respect of the year ended 30th September, 2011 (2011: HK\$30,558,000 was paid in respect of the year ended 30th September, 2010).

At the Board meeting held on 29th May, 2012, the directors declared an interim dividend of 4.5 HK cents (2011: 3.0 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 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, 2012 HK\$'000	As at 30th September, 2011 HK\$'000
0 to 30 days	75,255	51,430
31 days to 60 days	4,678	7,601
61 days to 90 days	1,336	1,867
Over 90 days	1,307	4,462
	<b>82,576</b>	65,360

## 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, 2012 HK\$'000	As at 30th September, 2011 HK\$'000
0 to 30 days	5,622	19,561

## MANAGEMENT DISCUSSION AND ANALYSIS

The six months from 1st October, 2011 to 31st March, 2012 has produced steady results for Water Oasis across its operations. The previously announced termination of the Group's ~H<sub>2</sub>O+ distributorship rights in the PRC and Taiwan in February this year has had a limited impact on the Group's first half results. In the meantime, the Group has been planning and realising the plans of launching Glycel retail business and Oasis Beauty franchising business in PRC to boost and diversify incomes from PRC market. With a strong and well-established business network in the PRC, the Group believes that our established excellent platform will speed up the momentum building for launching new ventures in the foreseeable future. Overall turnover for the period fell slightly by comparison with the same period last year. This was primarily because the health supplements products such as collagen drink that are produced in Japan after 11th March, 2011, were not allowed to sell in the PRC due to the leaking of radiation of the nuclear plant in Fukushima after the Japan earthquake happened on that date; as well as due to the decrease in turnover in the PRC after the termination of ~H<sub>2</sub>O+ distributorship rights. However, gross profit margin improved in this period was due to a larger weighting of contribution from beauty services segment. In addition, higher profit for the period achieved in the period under review than that of same period last year were mainly due to better performance on Beauty Services operations which compensated the negative impact of the termination of the ~H<sub>2</sub>O+ distributorship rights in the PRC and Taiwan.

### Brand ownership and distribution

The distributorship rights for ~H<sub>2</sub>O+ products of Water Oasis in Hong Kong, Macau and Singapore still retain and remain unchanged, and it expects this popular brand to continue to do well in these core markets where the brand has a strong and longstanding following. The number of ~H<sub>2</sub>O+ outlets in these markets remained stable in the period under review and sales were relatively good. The Group continued to do its utmost to promote and support its valuable ~H<sub>2</sub>O+ business.

At the same time, the Group's self-owned Glycel brand continued its successful run in Hong Kong. The brand has quickly found a niche in the Hong Kong market since the Group acquired it in May 2010. Its customer base has been growing rapidly, helped by effective marketing and branding campaigns. For the period under review, the Group enjoyed an increase in the brand's sales performance, accompanied by growth in its bottom line results. Riding on its success in Hong Kong, in the middle of March 2012, the Group has successfully replaced some of the ~H<sub>2</sub>O+ outlets with Glycel and launched in Taiwan strategic prime locations.

Besides boosting the Group's overall revenues, the popularity of Glycel in Hong Kong since its launch suggests great opportunities for future growth, especially in the PRC market. The Group sees this as an important strategy to counter the loss of ~H<sub>2</sub>O+ revenues from the PRC. It began the hygiene permit registration process of Glycel for selling the brand's products in the PRC starting in 2011, which is proceeding smoothly, and the current schedule is targeted to start selling Glycel products there in the third quarter of 2012. The Group's established strong PRC sales network and its previous experience of promoting ~H<sub>2</sub>O+ products gives it a strong head-start in getting Glycel up and running there quickly and effectively. The Group is confident that once Glycel has been launched in the PRC, it will soon begin to build up sales momentum and generate revenues that will make up the shortfall in retail sales in the near future.

The Group's Erno Laszlo brand has also performed well in the interim period. With the opening of two new counters in Harvey Nichols stores in Hong Kong, together with the well performance of our existing stores, the bottom-line results of the brand have been boosted.

### **Spa and Beauty services**

The Group's spa and beauty services operations have remained strong contributors over the interim period and have continued to display good revenue growth. In December 2011 the Group opened a new Oasis Medical Centre in Shatin, bringing to four its range of these specialist medical beauty treatment outlets. The Group's Oasis Beauty and related beauty outlets, of which there were 28 in Hong Kong as at 31st March, 2012, also continued to perform well.

The Group intends to carry out a focused expansion of its beauty services offerings. A new Oasis Beauty centre was opened in May 2012 in Hong Kong's prestigious Harbour City shopping mall, an excellent location with high quality shopper traffic. As part of this strategic realignment, the Group will channel new resources into ramping up the brand image of its Oasis Beauty business.

Beauty services developments are also taking place in the PRC, where the Group is setting up a franchise base for Oasis Beauty centres offering beauty services treatment. Already a number of franchisees have signed up to take on Oasis Beauty business and expect to launch business in this year, and the Group expects several more to follow. The planned outcome is for a comprehensive network of franchised beauty centres in the PRC that will generate steady franchise income for the Group in the next few years.

### **Outlook**

As a result of the termination of the PRC and Taiwan distributorship agreement for ~H<sub>2</sub>O+, the Group is adjusting its optimum revenue structure so as to place greater emphasis on its successful beauty services operations while waiting Glycel's retail business to grow at the same time. This process will involve some realignment and the channeling of new resources into brand-building and promotional activities for its beauty services operations and, as mentioned, the setting up of franchised beauty services in the PRC.

On the retail side, meanwhile, the Group will be continuing to support and promote the ~H<sub>2</sub>O+ brand to the best of its ability in Hong Kong, Macau and Singapore; the brand will remain an important part of the Water Oasis brand portfolio. Apart from ~H<sub>2</sub>O+, a new Erno Laszlo shop located at Hysan Place in Causeway Bay will be expected to open in the third quarter of 2012. Glycel, the Group's wholly self-owned brand, offers much scope for further development and growth, especially this self-owned brand has a higher margin to invest and the Group has complete control over almost every aspect of its sales and marketing. Two new Glycel shops are planned to open in Hong Kong in the second half of this fiscal year. In the coming few months the Group intends to pour significant resources into promoting Glycel, in the belief that its rapid Hong

Kong success is fully translatable into Taiwan and PRC market. This will involve both enhancing and overhauling the brand image, and increasing the Glycel product range. The Group will be using all its market know-how, proven skills, and strong resources to expand Glycel into the PRC, as well as taking advantage of its strong existing business networks there.

All along, the Group will stay primed for opportunities to acquire new brands, and launch new partnerships or Merger and Acquisition arrangements, that could lead to enhanced value for investors.

### **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The directors have declared an interim dividend of 4.5 HK cents per share for the six months ended 31st March, 2012 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 15th June, 2012. The Register of Members will be closed from Wednesday, 13th June, 2012 to Friday, 15th June, 2012, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited whose share registration public offices are located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12th June, 2012. The relevant dividend warrants will be dispatched to shareholders on Thursday, 28th June, 2012.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2012, the Group had net current assets of approximately HK\$21.9 million (as at 30th September, 2011: HK\$53.8 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2012, the Group had cash reserves of approximately HK\$251.7 million (as at 30th September, 2011: HK\$325.0 million).

The gearing ratio, expressed as a percentage of the secured mortgage loan and convertible bond over total equity of approximately HK\$300.5 million (as at 30th September, 2011: HK\$321.0 million) is approximately 26.6% (as at 30th September, 2011: 24.9%).

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.

## **HUMAN RESOURCES**

As at 31st March, 2012, the Group employed 1,387 staff (as at 30th September, 2011: 1,498 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.

## **AUDIT COMMITTEE**

The Company's Audit Committee comprises Dr. 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 Dr. 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, 2012 with management and discussed with the independent auditor on reviewing internal control and financial reporting matters in respect of the Interim Financial Information.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **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 Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of Listing Rules during the period.

### **Code Provision A.2.1**

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", whereas Ms. Yu Lai Si, the Chief Executive Officer of the Group, has been carrying out the duties of both the Chairman and Chief Executive Officer since the establishment of the Group and the Company. The Chief Executive Officer is responsible to ensure all directors have received adequate, complete and reliable information in a timely manner. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

### **Code Provision A.4.1**

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

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company had not designated a director for the purpose of receiving notification and providing acknowledgement in respect of dealing in securities of the Company under Rule B.8 of the Model Code. On 13th February, 2012, the Company had rectified the situation and had approved a memorandum detailing notification procedures to ensure compliance with the Model Code to all the directors. Following a specific enquiry by the Company, each of the directors (except one director) confirmed that he/she 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 price sensitive information.

### **PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY**

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at [www.hkexnews.hk](http://www.hkexnews.hk) and the designated website of the Company at [www.wateroasis.com.hk](http://www.wateroasis.com.hk) respectively. The interim report of the Company for the period ended 31st March, 2012 will be dispatched to the shareholders and published on the HKEX's and the Company's websites in due course.

By Order of the Board  
**YU Kam Shui, Erastus**  
*Executive Director*

Hong Kong, 29th May, 2012

*As at the date of this announcement, the executive directors of the Company are Yu Lai Si, Tam Chie Sang, Yu Lai Chu, Eileen, Yu Kam Shui, Erastus and Lai Yin Ping. The independent non-executive directors of the Company are Wong Lung Tak, Patrick, B.B.S., J.P., Wong Chun Nam, Duffy, J.P. and Wong Chi Keung.*