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Water OASIS Group

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WATER OASIS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1161)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2014

FINANCIAL HIGHLIGHTS

- For the year under review, Group's turnover increased by 8.0% to approximately HK\$679.0 million as compared with that of last year. This was mainly attributable to the improvement in our beauty services segment performance for all our brands. This increase represented a remarkable growth in momentum of sales by 5.3% and 10.6% for the first and second half of the year respectively when compared with that of the same period last year.
- Gross profit margin increased to approximately 89.5% from 88.6% due to greater contribution made by the Group's high margin products and beauty services.
- Profit for the year increased by 47.6% to approximately HK\$45.6 million was mainly attributable to the strong growth in the Group's beauty business operations and lower losses as a result of the closure of our Taiwan's operation in this financial year, as well as the absence of the one-off additional staff costs and convertible bond interest expense recorded in last financial year, however, this was offset by the relatively higher property-related revaluation gain recorded last year and the reversal of the deferred tax assets in this financial year that had been previously recognized as a result of the closure of the Group's China department store concession counter operations.
- Excluding all one-time impacts including the one-off additional staff costs, property-related revaluation gain and the reversal of deferred tax assets on both financial years, the Group's profit for the year of 2014 increased significantly by 193.0%, representing a strong improvement made in operations.
- The Group further increased its weighting in beauty services segment with its sales mix stood at approximately 70.5% in beauty services and 29.5% in retail sales.
- Recommended a final dividend of 5.0 HK cents per share.

OPERATION HIGHLIGHTS

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

- As at 30th September, 2014, the Group operated a total of 14 Oasis Beauty centres, 3 Oasis Spa centres and 5 Oasis Medical Centres, along with 2 Aqua Beauty centres and 1 Oasis Homme centre in Hong Kong, while in the PRC, the Group has retained its 3 Oasis Beauty outlets in Beijing and 1 in Shanghai, along with 1 franchised outlet located in Zhejiang.

- The Group's service sector in Hong Kong performed well, with beauty services sales growing by around 11.6% on average and good profitability. Particularly outstanding were the performances of the Oasis Beauty, Oasis Medical Centre and Oasis Spa outlets.
- A new Oasis Medical Centre and Oasis Homme beauty centre were opened in Central Entertainment Building in October 2014, next to our newly opened Glycel Premier Spa where it has not previously had a presence. Apart from these new openings, the Group has an existing Oasis Spa outlet in the building. This new arrangement will help strengthen brand recognition, as well as improving the cost-effectiveness of staffing arrangements.

Glycel

- As at 30th September, 2014, there were 16 Glycel outlets in operation, including our newly opened flagship Glycel Premier Spa located in Central Entertainment Building opened in September 2014. Besides, 2 new stores were opened in Beauty Avenue in Langham Place in Mongkok and in Cityplaza shopping mall in Taikoo Shing during this financial year.
- Sales performance of Glycel was encouraging, especially on beauty services side, representing an increase of 18.9% in this financial year when compared to that of last year.
- The Group also launched a new skincare device "Glycel 42°C Mobile Skin Therapist" under the brand of Glycel which proved to be a very successful new stream of revenue.
- The Group had closed down those under-performing or loss-making outlets in the PRC and had ended all its Glycel operations in Taiwan.
- Glycel continued to be one of the key Sponsors of the Wai Yin Association Charity Ball and the charitable work initiative has given Glycel an extra boost to its strong public perception.

Erno Laszlo

- As at 30th September, 2014, there were 8 Erno Laszlo outlets in Hong Kong including the store that was opened in March 2014 in Cityplaza shopping mall in Taikoo Shing.
- The Group had achieved solid success in establishing the Erno Laszlo brand in Hong Kong proven by its excellent growth in sales by approximately 24.5% when compared with last year's.
- The Group's distribution agreement for the Erno Laszlo brand has been successfully renewed up until 31st December, 2020.

h₂o+

- The Group has re-engaged longtime brand spokesperson, local celebrity Ms. Joey Yung, as the 'face' of h₂o+ as well as of Oasis Beauty, a move which will further help to inject fresh excitement into the brand and to rebuild the momentum of h₂o+ in Hong Kong.
- As at 30th September 2014, there were 16 h₂o+ outlets in operation including Hong Kong and Macau and the Group had surrendered its very small Singapore h₂o+ distributorship operation in July 2014 in order to refocus its resources on the Hong Kong market development.

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Water Oasis Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 30th September, 2014 (the “Consolidated Financial Statements”) as follows:

Consolidated Statement of Profit or Loss

		For the year ended 30th September,	
		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	679,049	628,971
Purchases and changes in inventories of finished goods		(71,534)	(71,493)
Other income		8,303	7,953
Other gains or losses		7,073	29,299
Staff costs		(279,269)	(282,255)
Depreciation of property and equipment		(24,331)	(23,295)
Finance costs	4	(646)	(4,264)
Other expenses		(253,415)	(246,431)
Profit before taxation		65,230	38,485
Taxation	5	(19,666)	(7,605)
Profit for the year	6	45,564	30,880
Profit for the year attributable to:			
Owners of the Company		47,930	34,259
Non-controlling interests		(2,366)	(3,379)
		45,564	30,880
Earnings per share			
Basic and diluted	7	6.3 HK cents	4.5 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Profit for the year	45,564	30,880
Other comprehensive (expense) income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(181)</u>	<u>2,552</u>
Total comprehensive income for the year	<u>45,383</u>	<u>33,432</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	47,704	36,719
Non-controlling interests	<u>(2,321)</u>	<u>(3,287)</u>
	<u>45,383</u>	<u>33,432</u>

Consolidated Statement of Financial Position

		As at 30th September,	
		2014	2013
	Notes	HK\$'000	HK\$'000
Non-current assets			
Intangible assets		59,389	59,484
Goodwill		3,012	3,012
Investment properties		229,478	222,734
Property and equipment		38,482	43,942
Rental deposits		34,745	34,862
Deferred tax assets		5,380	11,302
		<u>370,486</u>	<u>375,336</u>
Current assets			
Inventories		34,143	48,957
Trade receivables	9	25,662	24,318
Prepayments		47,348	40,171
Tax recoverable		287	–
Other deposits and receivables		12,766	10,205
Bank balances and cash		243,367	184,708
		<u>363,573</u>	<u>308,359</u>
Current liabilities			
Trade payables	10	8,473	6,801
Accruals and other payables		79,836	72,860
Receipts in advance		287,407	272,494
Secured mortgage loan – due within one year		2,930	3,102
Tax payable		16,057	10,873
		<u>394,703</u>	<u>366,130</u>
Net current liabilities		<u>(31,130)</u>	<u>(57,771)</u>
Total assets less current liabilities		<u><u>339,356</u></u>	<u><u>317,565</u></u>
Capital and reserves			
Share capital		76,395	76,395
Reserves		220,366	191,761
Equity attributable to owners of the Company		<u>296,761</u>	<u>268,156</u>
Non-controlling interests		<u>5,983</u>	<u>8,304</u>
Total equity		<u>302,744</u>	<u>276,460</u>
Non-current liabilities			
Pension obligations		–	116
Secured mortgage loan – due after one year		25,551	28,481
Deferred tax liabilities		11,061	12,508
		<u>36,612</u>	<u>41,105</u>
		<u><u>339,356</u></u>	<u><u>317,565</u></u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared on a going concern basis as at 30th September, 2014, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below:

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (the “HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants for the first time.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised standards on consolidation, associates and disclosures

In the current year, the Group has applied for the first time the package of standards on consolidation, associates and disclosures comprising HKFRS 10 “Consolidated Financial Statements”, HKFRS 12 “Disclosure of Interests in Other Entities”, HKAS 27 (as revised in 2011) “Separate Financial Statements” and HKAS 28 (as revised in 2011) “Investments in Associates and Joint Ventures”, together with the amendments to HKFRS 10 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) – Int 12 “Consolidation – Special Purpose Entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st October, 2013) as to whether or not the Group has control over its group companies in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the Company has had control over its subsidiaries since the Company has ability to use its power over the subsidiaries, rights to variable returns from its involvement with the subsidiaries and to affect the return of the subsidiaries. Accordingly, the application of HKFRS 10 has had no impact to the Group.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the Consolidated Financial Statements.

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the Consolidated Financial Statements.

Except as described above, the application of the other new or revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these Consolidated Financial Statements.

The following new and revised HKFRSs are relevant to the Group that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ³
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2014, with early application permitted.

² Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

³ Effective for annual periods beginning on or after 1st January, 2016.

⁴ Effective for annual periods beginning on or after 1st January, 2017.

The Group has not yet applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective. The Group is currently exploring the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the Consolidated Financial Statements or not.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker, in respect of the Group's business is focused on operation mode. The Group's operating segments based on the said information for the purposes of resources allocation and performance assessment, under HKFRS 8 are therefore as follows:

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

The following is an analysis of the Group's turnover and results by operating segments for the year:

	Retail segment		Services segment		Elimination		Consolidation	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	200,002	199,862	479,047	429,109	-	-	679,049	628,971
Inter-segment sales	51,923	37,114	-	-	(51,923)	(37,114)	-	-
Total	<u>251,925</u>	<u>236,976</u>	<u>479,047</u>	<u>429,109</u>	<u>(51,923)</u>	<u>(37,114)</u>	<u>679,049</u>	<u>628,971</u>
Segment results	<u>4,316</u>	<u>(18,154)</u>	<u>105,947</u>	<u>83,405</u>	<u>-</u>	<u>-</u>	<u>110,263</u>	<u>65,251</u>
Other income							8,303	7,953
Other gains or losses							7,073	29,299
Finance costs							(646)	(4,264)
Central administrative costs							(59,763)	(59,754)
Profit before taxation							<u>65,230</u>	<u>38,485</u>

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

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

Geographical information

The Group's operations are located in Hong Kong, Macau, the PRC, Taiwan and Singapore. PRC includes Mainland China but excludes Hong Kong and Macau.

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and Macau	651,153	597,026
The PRC	20,972	21,858
Taiwan	2,911	5,971
Singapore	4,013	4,116
	<u>679,049</u>	<u>628,971</u>
4. FINANCE COSTS		
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on secured mortgage loan	646	706
Effective interest expense on convertible bond	–	3,558
	<u>646</u>	<u>4,264</u>
5. TAXATION		
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	15,016	9,969
Other jurisdictions	–	92
Under (over) provision in prior years	175	(2,967)
	<u>15,191</u>	<u>7,094</u>
Deferred taxation	4,475	511
	<u>19,666</u>	<u>7,605</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year after setting off available tax losses brought forward from prior years.

The PRC Enterprise Income Tax was calculated at the statutory income tax rate of 25% (2013: 25%) on the assessable profits.

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

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

6. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year is stated at after charging:		
Auditor's remuneration	1,424	1,442
Amortisation of intangible assets	259	340
Allowance for doubtful debts	–	292
Write-down of inventories	1,119	–
Operating lease rentals in respect of land and buildings		
– minimum lease payments	132,119	116,651
– contingent rents	3,897	3,718
and after crediting:		
Interest income on bank deposits	1,216	2,833
Rental income from investment properties	4,590	4,456
	<u> </u>	<u> </u>

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	47,930	34,259
	<u> </u>	<u> </u>
	Number of shares	
	2014	2013
Number of ordinary shares for the purposes of basic and diluted earnings per share	763,952,764	763,952,764
	<u> </u>	<u> </u>

The computation of diluted earnings per share does not assume:

- (i) the exercise of the Company's outstanding share options for the year ended 30th September, 2013 since the exercise price of those options was higher than the average price during that year and hence the share options were not dilutive (such share options expired during the year ended 30th September, 2013);
- (ii) the conversion of the Company's outstanding convertible bond for the year ended 30th September, 2013 since its exercise would result in an increase in earnings per share and hence was anti-dilutive (such convertible bond was redeemed during the year ended 30th September, 2013).

8. DIVIDENDS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid of 1.0 HK cent (2013: 2.5 HK cents) per share	7,640	19,099
Final dividend proposed after the end of the reporting period of 5.0 HK cents (2013: 1.5 HK cents) per share	38,197	11,459
	<u>45,837</u>	<u>30,558</u>

The 2014 final dividend of 5.0 HK cents (2013: 1.5 HK cents) per share, amounting to approximately HK\$38,197,000 (2013: HK\$11,459,000), has been proposed by the directors after the end of the reporting period and is subject to approval by the shareholders in the general meeting. This proposed dividend has not been recognised as a distribution during the year.

The aggregate amount of the dividends paid during the year ended 30th September, 2014 were approximately HK\$19,099,000 (2013: HK\$49,657,000).

9. TRADE RECEIVABLES

The Group generally allows its trade debtors credit terms of 30 days to 90 days. The following is an aging analysis of trade receivables, presented based on the payment due date, net of allowances for bad and doubtful debts, at the end of the reporting period:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	25,576	22,901
31 days to 60 days	12	932
61 days to 90 days	71	48
Over 90 days	3	437
	<u>25,662</u>	<u>24,318</u>

10. TRADE PAYABLES

The following is an aging analysis of trade payables, presented based on the payment due date, at the end of the reporting period:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	<u>8,473</u>	<u>6,801</u>

The average credit period on purchases of goods ranges from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all these payables are within the credit time frame.

11. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 30th September, 2014 (“the year”), the Group enjoyed solid success in achieving both top line and bottom line growth across its operations, as the success of its “Strengthen the Core, Seed for the Future” motto began to demonstrate itself. The Group recorded a rise in overall turnover of approximately 8.0% compared with its turnover for 2013, largely achieved in its core geographical market of Hong Kong. This represented a remarkable growth in momentum of sales by 5.3% and 10.6% for the first and second half of the year respectively when compared with that of the same period last year. This was primarily the result of the strong performance of its core beauty services segment, for which turnover rose by approximately 11.6%, with retail turnover remaining at a similar level to last year’s. Turnover growth was also greater than Hong Kong’s overall economic growth for the year, of just 2.2%. Gross profit margin showed an increase due to the greater contributions made by the Group’s beauty services businesses and its higher-margin products, including its Glycel and Erno Laszlo brands. Basic earnings per share for the year amounted to 6.3 HK cents (2013: 4.5 HK cents).

As suggested by the contribution to turnover, the Group’s core beauty services drove performance over the year, with the ratio of beauty services to retail standing at 70.5% to 29.5% by the end of the year, up from 68.2% to 31.8% at the same time last year. This change was also largely responsible for a further rise in the Group’s gross profit margin, from 88.6% last year to 89.5% for the year under review. Each of the Group’s major beauty service brands was able to achieve double-digit growth. Profit before taxation also grew by 69.5% for the year, as did profit for the year and profit for the year after setting aside all one-off factors, by 47.6% and 193.0% respectively. All in all, the Group’s strategy of “strengthening the core” has translated into very satisfactory performances from its core business sectors for the year.

The challenge of managing ever-increasing rental prices in Hong Kong has remained over the past year, supplemented by Hong Kong's other perennial challenge, the pressure of rising labour costs. The Group's development of a raft of related service centres situated close to each other in the Entertainment Building in Central has helped addressing these issues by leveraging benefits of scale and proximity, for instance by enabling staff to be deployed across more than one operation. Overall, cost to revenue ratios in the various categories of staff costs, rental costs, head office overheads and marketing and PR expenses, have all remained stable year-on-year.

The Group further improved its bank balances and cash levels as at 30th September, 2014 to approximately HK\$243.4 million, while its current ratio was 0.9 : 1 and its debt-equity ratio was 9.4%. The Board of Directors has recommended a final dividend of 5.0 HK cents per share, bringing the full-year dividend to 6.0 HK cents per share (2013: 4.0 HK cents).

OASIS Portfolio

A major advance in the year for the Group was its 'Oasis Group Restage Campaign', launched in August 2014. The Restage Campaign drew together all the businesses under the Oasis brand – both service and retail – into a single coherent and connected unity, playing on their inter-relationships and potential synergies to develop a coherent, well-rounded Oasis portfolio.

Brought together under the Oasis brand are the Group's key service-led businesses: its high-end spa business Oasis Spa, its mass-market beauty service business Oasis Beauty, its medical aesthetic treatment business Oasis Medical Centre, and its men's grooming treatment Oasis Homme. Supplementing these are Oasis Mini Nail by Angelababy and Oasis Florist.

Oasis Beauty and Oasis Spa

The Group's high-end Oasis Spa business achieved turnover growth of approximately 11.3% in the year, while Oasis Beauty turnover jumped by 12.0% in Hong Kong. Recognizing the importance of remaining at the forefront of developments in the beauty business, the Group actively introduced several new and advanced treatment machines across its brands.

The number of the Group's service centres remained stable over the year. The number of its Oasis Beauty centres, made up of Oasis Beauty, Aqua Beauty and Oasis Homme centres, remained at 17 in Hong Kong, along with 4 self-managed PRC centres. A further 1 franchised Oasis Beauty centre opened in the PRC during the year (November 2013), in Zhejiang. In Macau, the Group maintained its single Oasis Beauty Store, which sells h₂o+ and Glycel brand products. Its other brands in the Oasis stable are all located in Hong Kong: they include 5 Oasis Medical Centres, 3 Oasis Spas, 1 Oasis Mini Nail by Angelababy and 1 Oasis Florist.

Oasis Medical Centre

This segment of the Group's Oasis portfolio enjoyed exceptional success over the year, achieving year-on-year turnover growth of approximately 10.6%. The Oasis Medical Centre concept was introduced by the Group in 2008, and has now begun to experience strong growth momentum as the effectiveness of its medical aesthetic treatments, which involve advanced technology and professional consultancy with doctors, have become more and more widely recognized. In October 2014, the Group opened a new Oasis Medical Centre in the Entertainment Building in Central, bringing this service into the heart of the city. This Oasis Medical Centre now has a high-profile presence and also enjoys synergies arising from its location adjacent to the Group's Glycel Premier Spa, and in the same building as its existing Oasis Spa. At year-end, the Group was operating 5 Oasis Medical Centres in Hong Kong.

Glycel

The Group's Glycel brand, acquired in 2010, is a self-owned brand offering a strategic mix of beauty treatment services and products. With spa as its core service, Glycel also includes an ever-broadening stable of high-end skincare products. Glycel performed well in Hong Kong throughout the year with turnover growth in retail and beauty services of approximately 8.6% and 18.9% respectively.

During the year, the Group relocated its Central branch of Glycel to a much larger location in the Entertainment Building in Central. The result is a new flagship Glycel Premier Spa for Central, sitting directly alongside an Oasis Medical Centre in a proximity that enables customers to enjoy a complete one-stop service. Covering an area almost three times larger than its other Glycel spas, the new Glycel Premier Spa is a taste of the future for the Glycel spa range. In September 2014, the Glycel Premier Spa introduced the new Stem Premier de Glycel treatment.

The Group also began to strategically expand its Glycel brand by introducing new and advanced technology under the brand. One highlight was the launch of the Glycel 42°C Mobile Skin Therapist device in April 2014. This unique portable skincare device is an attractive pocket sized beauty tool that combines multiples skincare functions in one; it heats to 42 degrees Celsius and offers electro-therapy, micro-vibration and colour therapy. Its compact size and elegant shape makes it the perfect device for mobile skincare therapy. It has proved a fast best-seller, with several batches having been sold out soon after supply, and has received extensive and positive media coverage.

By the end of the year, the Group was operating 16 Glycel outlets in Hong Kong, up from 14 at the same time last year. To better manage the potential of this brand for growth in Hong Kong, the Group decided to terminate its 2 Taiwan Glycel outlets, and also exit the PRC market by closing down its 5 self-managed and 1 franchised PRC Glycel outlets.

Erno Laszlo

The Group has worked hard to establish the premium Erno Laszlo brand, a well-respected high-end skincare brand from the United States. Erno Laszlo has a good user base among celebrities and other opinion formers. The Group has achieved solid success in establishing and growing the brand in Hong Kong, and in the year under review further accelerated sales to achieve excellent growth of approximately 24.5% through a series of successful brand promotion activities. In the first quarter of the year, the Group extended its distributorship agreement for Erno Laszlo in Hong Kong until 2020. By the end of the year, the Group was operating 8 Erno Laszlo outlets in Hong Kong, two more than at the same time last year. One of these was newly opened in March 2014 in the upmarket Taikoo Shing area.

h₂o+

This, the Group's foundational brand for which it acquired distribution rights back in 1998, is a prestigious skincare brand from the United States which gives it access to a valuable market segment. One of the Group's focuses in the year under review was to rebuild the momentum of h₂o+ in Hong Kong. A number of measures taken have been successful in reigniting local excitement for these unique marine-based skincare products. At the end of the year there were 15 h₂o+ outlets in Hong Kong, compared with 16 at the same time last year. During the year, the Group surrendered its distribution rights for h₂o+ in Singapore and closed its single h₂o+ outlet there in order to refocus its resources fully on the Hong Kong market.

Prospects

Over the past twelve months, the Group has taken a number of significant steps in terms of reorganizing and rationalizing its brand portfolio, refocusing its resources, identifying growth areas, and planning for consolidation and expansion. Perhaps the two that will prove most significant for driving growth in the short term are the Oasis brand relaunch in August 2014, and the opening of the flagship Glycel Premier Spa, Oasis Medical Centre and Oasis Homme in Central's Entertainment Building. The Group sees these moves as having major potential to capture new attention from the public, to firmly position its offerings as high-end professional services, and to make clear that it is a strong, diverse, and innovative beauty services provider in Hong Kong. Already one of the top listed companies for beauty services in Hong Kong, the Group believes that its initiatives can and will drive it to the next level of leadership, which is one of its primary goals.

The changes described above have been introduced quite recently, and the Group is still in the early stages of gauging response. Reactions to date have, however, been extremely positive, and the Group is confident that these developments will contribute to results over the coming year. As it settles into its role as a Hong Kong beauty services leader, the Group will begin also to plan for its longer-term goals of becoming widely recognized as a pioneering beauty company in the Greater China region and Asia generally, with a strong portfolio of both beauty services and product offerings. This will also involve exploring wholesale opportunities for each of its brands, and strengthening the Group's e-commerce platform, which at this stage has plenty of potential for further development. New channels for promoting each of its brands will also be explored; one such will be exposure on the new HKTV shopping channel, to be launched in December 2014.

The Group's motto of the past year, "Strengthen the Core and Seed for the Future", has been effectively applied in 2013/14. The year has not seen rapid expansion of service centres and retail outlets, but rather a carefully planned, deliberate strategy of increasing brand visibility and respect, focusing on strengths of quality and prestige, and channeling resources into places where they will achieve the best returns. The seed has indeed been sown for more selective, profitable expansion in the future, and the Group is convinced that the harvest ahead is one that will meet the expectations of all its investors and other stakeholders. This belief is captured in the Group's motto for the year ahead: "Strengthen the Momentum : Transform and Innovate".

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources position continues to remain strong. Its cash and bank deposits as at 30th September, 2014 amounted to approximately HK\$243.4 million (2013: HK\$184.7 million). The Group generally finances its operation with internally generated resources.

As at 30th September, 2014, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK\$302.7 million (2013: HK\$276.5 million), was approximately 9.4% (2013: 11.4%).

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 30th September, 2014.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30th September, 2014.

EMPLOYEES AND REMUNERATION

As at 30th September, 2014, the Group employed 809 staff (as at 30th September, 2013: 853 staff). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group performance. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs.

The Group is committed to 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.

FINAL DIVIDEND

The Board has proposed a final dividend of 5.0 HK cents per share for the year ended 30th September, 2014. The proposed final dividend, if approved at the forthcoming annual general meeting (the "AGM"), will be dispatched to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 25th February, 2015.

CLOSURE OF REGISTER OF MEMBERS

- (i) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 11th February, 2015 to Friday, 13th February, 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the 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 Tuesday, 10th February, 2015.
- (ii) For determining the entitlement of the proposed final dividend, the register of members will be closed from Monday, 23rd February, 2015 to Wednesday, 25th February, 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the 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, 18th February, 2015. The relevant dividend warrants will be dispatched to shareholders on Thursday, 12th March, 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 has reviewed the accounting principles and practices adopted by the Group and the audited Consolidated Financial Statements of the Group for the year ended 30th September, 2014 with management and discussed with the independent auditor on auditing, internal control and financial reporting matters in respect of the Consolidated Financial Statements.

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

The Company did not redeem any of the listed securities of the Company nor did the Company or any of its subsidiaries purchase or sell such securities during the year ended 30th September, 2014.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any rights in relation to convertible securities, options, warrants or similar rights during the year ended 30th September, 2014.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30th September, 2014.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same person. Presently, the Board does not have any director with the title "Chairman", but Mr. Yu Kam Shui, Erastus, an executive director, is carrying out the duty of the chairman. With effect from 2nd October, 2013, Ms. Wong Man Lai, Stevie has been appointed as the CEO of the Company and the code provision A.2.1 has been complied with.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Starting from 13th February, 2012, the Company had designated directors for the purpose of receiving notification and providing acknowledgment in respect of dealing in securities of the Company under Rule B.8 of the Model Code in accordance with a stipulated memorandum detailing notification procedures to ensure compliance with the Model Code by the directors. Following a specific enquiry by the Company, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the year ended 30th September, 2014.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to the 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 annual report of the Company for the year ended 30th September, 2014 will be dispatched to the shareholders and published on the HKEx’s and the Company’s websites in due course.

By Order of the Board
WATER OASIS GROUP LIMITED
Yu Kam Shui, Erastus
Executive Director

Hong Kong, 16th December, 2014

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