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, 2018

FINANCIAL HIGHLIGHTS

- For the period under review, the Group's turnover was increased by 12.2% to approximately HK$366.5 million when compared with that of last year. Both retail and service segment recorded a positive growth in terms of sales amount.

- The Group's sales mix rose to approximately 77.7% in beauty services and 22.3% in retail sales, comparing to 77.2% and 22.8% with that of same period last year.

- Gross profit margin for this period further increased to approximately 91.9% from 91.6% of the same period last year due to higher service segment contribution.

- For the period under review, advertising and staff costs were increased by 27.5% and 6.2% respectively, while the rental and depreciation were decreased by 2.7% and 14.1% respectively. The increase in advertising was to maximise exposure so as to further increase the sales momentum of its entire stable of brands. Higher staff cost was due to increased service staff offering better service quality to customers and higher commission due to higher sales performance. Reduced rental was due to the previous closure of some unprofitable outlets and partly due to careful rent negotiations for renewals.

- Profit for the period amounted to HK$ 60.4 million, representing an increase of 73.2% over the same period last year.

- The Group retained a strong cash position of approximately HK$452.7 million as at 31st March, 2018, representing an increase of HK$87.4 million over the same period last year.

- Recommend the payment of an interim dividend of 3.0 HK cents per share.

OPERATION HIGHLIGHTS

Beauty Services Business

- The Group's beauty services business include Oasis Beauty, Oasis Spa, Oasis Homme and Oasis Medical Centre as well as Glycel.

- All beauty services brands operated under the Group performed well in the period under review, enjoying single- or double-digit growth year-on-year and contributing to the rise in the ratio of services to retail business.

- As at 31st March, 2018, the Group operated 8 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 and an Oasis Beauty Store in Macau.

Retail Business

- The Group's retail business includes three self-owned brands – Glycel, Eurobeauté and DermaSynergy, and two licensed brands, H2O+ and Erno Laszlo.

- For the period under review, H2O+ experienced a fall in sales partly due to the closure of unprofitable outlet in the previous period, while most of the retail brands operated by the Group experienced positive growth. Standout performers were the Group's owned Eurobeauté and DermaSynergy brands as well as Erno Laszlo.

- As at 31st March, 2018, the Group operated 5 H2O+ outlets, 5 Erno Laszlo stores, 5 Glycel stores in Hong Kong as well as 1 further Glycel outlet in Macau.

Outlook

- The Group will continue to launch new products and latest technology equipment treatments as well as to enlarge the channels of distribution by putting more initiatives and efforts on marketing focusing on two major self-owned stable of brands including Glycel and Oasis brand portfolio, gaining maximum exposure for these major new products and treatments among a wide range of potential customers of all ages.

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, 2018.

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,	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**366,462**	326,536
Purchases and changes in inventories of finished goods		**(29,589)**	(27,554)
Other income		**4,692**	4,103
Other gains or losses		**1,830**	(320)
Staff costs		**(152,991)**	(144,045)
Depreciation of property and equipment		**(7,351)**	(8,557)
Finance costs		**(201)**	(234)
Other expenses		**(109,418)**	(107,065)
Profit before taxation		**73,434**	42,864
Taxation	3	**(13,074)**	(8,011)
Profit for the period	4	**60,360**	34,853
Profit (loss) for the period attributable to:			
Owners of the Company		**60,529**	34,853
Non-controlling interests		**(169)**	–
		60,360	34,853
Earnings per share			
Basic and diluted	5	**7.9 HK cents**	4.6 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31st March,	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**60,360**	34,853
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**1,445**	–
Total comprehensive income for the period	**61,805**	34,853
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**61,995**	34,853
Non-controlling interests	**(190)**	–
	61,805	34,853

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31st March, 2018** *HK$'000*	Audited As at 30th September, 2017 *HK$'000*
Non-current assets			
Intangible assets		**59,210**	59,184
Goodwill		**3,012**	3,012
Investment properties		**232,336**	230,738
Property and equipment		**36,532**	30,216
Rental deposits		**26,878**	27,335
Deferred tax assets		**3,428**	3,531
		361,396	354,016
Current assets			
Inventories		**32,067**	30,060
Trade receivables	7	**42,489**	28,087
Prepayments		**80,349**	71,139
Other deposits and receivables		**11,493**	11,560
Bank balances and cash		**452,676**	402,430
		619,074	543,276
Current liabilities			
Trade payables	8	**4,811**	7,109
Accruals and other payables		**71,078**	75,003
Receipts in advance		**511,330**	455,896
Secured mortgage loan – due within one year		**3,418**	3,125
Tax payable		**17,067**	15,046
		607,704	556,179
Net current assets (liabilities)		**11,370**	(12,903)
Total assets less current liabilities		**372,766**	341,113
Capital and reserves			
Share capital		**76,545**	76,395
Reserves		**261,558**	228,852
Equity attributable to owners of the Company		**338,103**	305,247
Non-controlling interests		**6,950**	7,140
Total equity		**345,053**	312,387
Non-current liabilities			
Secured mortgage loan – due after one year		**14,788**	16,375
Deferred tax liabilities		**12,925**	12,351
		27,713	28,726
		372,766	341,113

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 should be read in conjunction with the annual financial statements of the Group for the year ended 30th September, 2017.

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, 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2017.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 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 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 salons, 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,**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**81,871**	74,556	**284,591**	251,980	**–**	–	**366,462**	326,536
Inter-segment sales	**13,136**	11,536	**–**	–	**(13,136)**	(11,536)	**–**	–
Total	**95,007**	86,092	**284,591**	251,980	**(13,136)**	(11,536)	**366,462**	326,536
Segment results	**23,086**	18,376	**86,186**	59,547	**–**	–	**109,272**	77,923
Other income							**4,692**	4,103
Other gains or losses							**1,830**	(320)
Finance costs							**(201)**	(234)
Central administrative costs							**(42,159)**	(38,608)
Profit before taxation							**73,434**	42,864

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, 2018 HK$'000	2017 HK$'000
Current tax		
Current period	**12,470**	8,024
Deferred taxation	**604**	(13)
	13,074	8,011

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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% (2017: 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, 2018 HK$'000	2017 HK$'000
Profit for the period is stated at after charging:		
Amortisation of intangible assets	**55**	51
Write-off of property and equipment	**581**	784
and after crediting:		
Net exchange gain	**296**	30
Gain on disposal of property and equipment	**517**	–
Interest income on bank deposits	**1,785**	1,070
Interest income on overdue rental income	**303**	164
Rental income from investment properties	**2,337**	2,648
Gain on fair value change of investment properties	**1,598**	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, 2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**60,529**	34,853

	Number of shares 2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,436,280**	763,952,764
Effect of dilutive potential ordinary shares – share options of the Company	**856**	691,996
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**765,437,136**	764,644,760

6. DIVIDENDS

	Six months ended 31st March, 2018	2017
	HK$'000	*HK$'000*
Interim dividend declared after the end of the reporting period 3.0 HK cents (2017: 4.0 HK cents) per share	**20,324**	30,558

During the six months ended 31st March, 2018, a final dividend of 4.0 HK cents (2017: 2.0 HK cents) per share totalled approximately HK$30,618,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2017 (2017: HK$15,279,000 was declared and paid to shareholders of the Company in respect of the year ended 30th September, 2016).

At the Board meeting held on 25th May, 2018, the directors declared an interim dividend of 3.0 HK cents (2017: 4.0 HK cents) per share payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 26th June, 2018. This 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, 2018	As at 30th September, 2017
	HK$'000	*HK$'000*
0 to 30 days	**42,430**	28,026
61 to 90 days	**–**	2
Over 120 days	**59**	59
	42,489	28,087

Movement in the allowance for trade receivables:

	For the six months ended 31st March, 2018	For the year ended 30th September, 2017
	HK$'000	*HK$'000*
Balance at beginning and 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, 2018	As at 30th September, 2017
	HK$'000	*HK$'000*
0 to 30 days	**4,811**	7,109

9. **EVENT AFTER THE REPORTING PERIOD**

After the reporting period, the Company announced that a conditional cash offer was made by Yu Ming Investment Management Limited on behalf of the Company in compliance with the Codes on Takeovers and Mergers and Share Buy-backs, subject to the conditions, to buy back for cancellation up to the maximum number of shares, being 88,000,000 shares of the Company (representing approximately 11.50% of the total issued share capital of the Company as at the date of this report) at the offer price of HK$0.80 per share (the "Offer"). The details of the Offer were disclosed in the announcement dated 13th April, 2018 and the offer document dated 4th May, 2018. On 25th May, 2018, the shareholders approved the Offer in the extraordinary general meeting ("EGM"). The results of the EGM and the Offer were disclosed in the announcement dated 25th May, 2018. As all the conditions of the Offer had been fulfilled, the Offer has become unconditional on 25th May, 2018 and will remain open for acceptance until 4:00 p.m. (Hong Kong time) on Friday, 8th June 2018. The results of the Offer will be made by the Company in due course.

RESULTS AND DIVIDEND

For the six months ended 31st March, 2018, the Group's turnover rose by 12.2% by comparison with the same period last year, to approximately HK$366.5 million (six months ended 31st March, 2017: HK$326.5 million). This rise was driven by continued strong performances from the Group's stable of beauty services under its Oasis and Glycel brands, leading to a further positive adjustment in the sales mix of services and retail for the period. The Group's gross profit margin also improved slightly, rising to 91.9% as against 91.6% for the same period last year, again reflecting the increasing contribution of its services sector. These factors, together with careful management of the Group's costs over the period, resulted in profit for the period rising by 73.2% compared with the same period last year, to HK$60.4 million (six months ended 31st March, 2017: HK$34.9 million). The Group maintained a strong cash position, having approximately HK$452.7 million in cash in hand as at 31st March, 2018. The Board has resolved to declare an interim dividend of 3.0 HK cents per share for the six months ended 31st March, 2018 (six months ended 31st March, 2017: 4.0 HK cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

The positive momentum built up by the Group last year continued into 2017/18, and it posted a strong performance in the six-month period from 1st October, 2017 to 31st March, 2018. Despite a relatively lacklustre Hong Kong market, the Group's continual investment in new treatments, products and technology proved very attractive to Hong Kong consumers, helping it to register a satisfying increase in turnover and associated profitability. At the same time, the Group's ongoing exploration of new modes of market engagement and new market segments has seen its products and services expanding beyond its traditional customer base to reach an ever-wider range of consumer groups including, increasingly, a younger generation of women from their mid twenties upwards.

The focus on the service side of the Group's business has intensified over recent years, and in the period under review the Group's ratio of service to retail business once again adjusted favourably towards the higher margin sector. The current service to retail ratio stands at 77.7% to 22.3%, up half a percentage point year-on-year. This has also been reflected in the Group's gross profit margin, which rose to 91.9% (from 91.6% in March 2017).

In terms of key areas of expenditure during the period, various changes have occurred year-on-year that reflect new strategic initiatives and developments. Advertising expenditure, for example, rose compared with last year in terms of amount spent by 27.5%. This rise in advertising spending was a strategic move designed to maximise exposure for various major new products and services launched in the period and in the following months, including the new Glycel series 'The Line' launched in October 2017; the 'GLYCEL Swiss Essentials Essence Lotion' and its treatment 'GLYCEL Deluxe Swiss Essentials Signature Treatment' launched in April 2018, as well as Oasis Medical Centre's 'PicoGenius' laser equipment treatment, also launched in March 2018. More generally, in a very competitive Hong Kong market where high-profile brand positioning is essential for success, the Group used targeted advertising in both traditional and digital modes to further increase the sales momentum of its entire stable of brands.

Staff costs also rose in dollar terms against the previous year, by 6.2%, although in fact in terms of percentage to revenue staff costs fell, from 44.1% to 41.7%. These figures reflect a number of key points. To begin with, the closure of certain non-profitable outlets over the past year has reduced the number of staff employed by the Group. On the other hand, since many of the Group's front line staff are incentivised by commissions and bonuses based on sales, the increase in sales over the period has resulted in higher staff costs. Further, the Group believes that the quality of service it offers is one of the factors that differentiate it from many of its competitors. This being so, its goal is not to reduce staff numbers to a bare minimum, but to ensure its customers are always served and attended to in a personalised and unrushed manner. During the period, new staff has therefore been recruited to enhance the experience of customers in our outlets, while more doctors have been added to the professional line-up at its Oasis Medical Centres.

Rental costs and depreciation, meanwhile, both fell year-on-year, by 2.7% and 14.1% respectively. Although rental costs remain very high in Hong Kong, the last few months have seen a slight easing. The Group's rental costs have therefore fallen slightly, partly due to the closure of some unprofitable outlets over the year and partly due to careful rent negotiations for renewals.

The Group is delighted to have been recognised by the Employees Retraining Board (ERB) under its "ERB Manpower Developer Award Scheme" in the period. The award recognises Water Oasis as an organisation that has demonstrated "outstanding achievements in manpower training and development." It reflects a corporate culture within the Group that advocates the importance of manpower training and development, and its practical outworking can be seen in the Group's highly skilled and highly motivated workforce across all its brands.

BEAUTY SERVICES BUSINESS

The Group's beauty services benefit from strong synergies as a result of being grouped under the umbrella 'Oasis' brand. They currently include Oasis Beauty, Oasis Spa, Oasis Homme and Oasis Medical Centre, together with a number of smaller specialist Oasis brands that include Oasis Nail, Oasis Florist and Oasis Health. Branded separately is the 'Skinspa' beauty service under the Glycel brand.

These beauty services all performed well in the period under review, enjoying single- or double-digit growth year-on-year and contributing to the rise in the ratio of services to retail business mentioned above. Oasis Spa, the Group's high-end beauty treatment brand, performed especially well, but Oasis Beauty also turned in a strong performance in Hong Kong, and solid performances in the PRC. Meanwhile, Oasis Medical Centre and the Glycel Skinspa delivered good performances and further enhanced their client bases.

Considerable amounts were spent in the period on renovating and refurbishing the Group's existing Oasis Beauty and Oasis Spa centres to enhance the all-round quality of customer experience, and on purchasing new advanced beauty treatment technology and equipment, particularly for Oasis Medical Centre. This resulted in an increase in the Group's capital expenditures for the period compared with last year. Meanwhile, the Group has continued to leverage new technology and strong data analytics capabilities to enhance its marketing, communications and customer engagement activities.

As at 31st March, 2018, 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 and an Oasis Beauty Store in Macau. These numbers remain unchanged from March 2017.

RETAIL BUSINESS

The Group's retail business involving the sale of skincare and beauty products continued to be primarily made up of three self-owned brands – Glycel, Eurobeauté and DermaSynergy – and two licensed brands, Erno Laszlo and H2O+. For the period under review, H2O+ experienced a fall in sales partly due to the closure of unprofitable outlet in the previous period, while most of the retail brands operated by the Group experienced positive growth. Standout performers were the Group's owned Eurobeauté and DermaSynergy brands which experienced double digit sales growth, while Erno Laszlo brand also has a single digit growth in sales.

In October 2017, the Group focused substantial resources into the launch of a new group of Glycel products known as 'The Line'. A comprehensive and complementary collection of high-quality skincare products, 'The Line' has met with a very positive and encouraging consumer response which is further consolidating Glycel's reputation in Hong Kong.

As at 31st March, 2018, 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. These numbers are the same as a year ago, although one Glycel outlet in Yuen Long's Kolour was relocated to Yoho Mall in October 2017.

OUTLOOK

Following up from its release of Glycel's 'The Line' series late last year, in April the Group launched the first in an innovative series of marketing materials for a new Glycel product, 'GLYCEL Swiss Essentials Essence Lotion' and its treatment 'GLYCEL Deluxe Swiss Essentials Signature Treatment', featuring the new 'face' of Glycel, actress and model Christine Kuo. Using a series of creative and innovative short commercially made short videos placed on popular online platforms, the Group is gaining maximum exposure for these major new products and treatments among a wide range of potential customers of all ages.

The Glycel advertising initiatives of recent months are also supporting the opening of new Glycel outlets. In April, a retail counter for Glycel products was opened in YATA located in Tai Po, and another Glycel Skinspa is scheduled to open shortly in Kwun Tong, bringing outlet numbers to 15 in Hong Kong. More generally, the Group will look for opportunities to open new stores for all its major brands in optimal locations and increase same-store sales across the board.

Apart from Glycel, the Group will also continue to spend more advertising efforts on Oasis brands focusing on Oasis Medical Centre and Oasis Beauty for their newly launched beauty equipment and treatment, including the 'PicoGenius' treatment mentioned above that has been launched in March 2018.

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The Group is continuing to develop and enhance its e-commerce capabilities and sell a range of products online, in volumes that have grown strongly in recent times. Although this currently accounts for only a small proportion of its overall sales, the Group is aware of the growing importance of e-commerce and will continue to enhance its existing e-commerce channels.

The positive results of the past six months in a very average market suggest that the Group is moving ahead along the right lines. It has a range of effective, well-run beauty services that not only deliver excellent results using the latest technology and equipment, but also give customers a sense of being well looked-after and cared for. It is enhancing the digital and online services that it offers to support its beauty services sector, and expanding its customer base. On the retail side, it has proved very adept at identifying skincare and beauty products that suit a wide range of Hong Kong consumers, and is constantly refreshing their lines and images. All the while, it has been active in looking to control costs, effectively manage Hong Kong's rent challenges, and stay on the alert for new business opportunities as and when they arise.

With these proven strategies in place, the Group continues to focus on what it can do well, and stick to the commitment to quality, comfort and service which has served it so well to date. It has confidence that the months ahead hold new potential for further growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2018, the Group had net current assets of approximately HK$11.4 million (as at 30th September, 2017 net current liabilities: HK$12.9 million).

The Group generally finances its operations with internally generated resources. As at 31st March, 2018, the Group had cash reserves of approximately HK$452.7 million (as at 30th September, 2017: HK$402.4 million).

As at 31st March, 2018, the gearing ratio, expressed as a percentage of the secured mortgage loan over total equity of approximately HK$345.1 million (as at 30th September, 2017: HK$312.4 million) was approximately 5.3% (as at 30th September, 2017: 6.2%). All borrowings are denominated in Hong Kong dollars. The bank balances and cash are mainly denominated in Hong Kong dollars, United States 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, 2018.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31st March, 2018.

HUMAN RESOURCES

As at 31st March, 2018, the Group employed 751 staff (as at 30th September, 2017: 752 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 3.0 HK cents per share for the six months ended 31st March, 2018 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 26th June, 2018. The Register of Members will be closed from Monday, 25th June, 2018 to Tuesday, 26th June, 2018, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, whose share registration public offices are located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22nd June, 2018. The relevant dividend warrants will be dispatched to shareholders on Wednesday, 11th July, 2018.

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, 2018 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, 2018 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, 25th May, 2018

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.