

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, 2002. The unaudited consolidated results have been reviewed by the Company's Audit Committee.

The Group recorded turnover of HK\$153 million for the period under review. Profit attributable to shareholders reached HK\$10 million, a 61% decrease period-on-period. Revenues from the Hong Kong ~H₂O+ retail outlets were lower than expected due to challenging retail trading conditions, and revenue from China operations came on stream later than anticipated due to delays in the product registration process.

Despite the continued difficult operating environment in the first half of fiscal 2001/2002, the Group continued to be profitable and cash flow is strong. A 1.3 HK cents per share dividend has been declared and payable to shareholders.

BUSINESS REVIEW

~H₂O+ Retail Business

Hong Kong and Taiwan

Business prospects in the Hong Kong market remain flat or may even represent a slight downturn, and the research data on consumer confidence, retail spending, and unemployment indicate continued uncertainty. The Census and Statistics Department of the Hong Kong Government reported an 11.7% decrease in retail sales year-on-year from January 2001 to January 2002. Matched with the Hong Kong recorded-high and rising unemployment rate, consumer confidence remains low.

The Taiwan market holds ever-growing potential, although the recent water shortage which caused the suspension of some retail air-conditioning, has adversely affected sales. The Taiwan market is more elastic than the mature Hong Kong market and the Group is putting more resources against advertising and promotional activity to drive sales. Turnover in Taiwan is growing with profit after taxation increased by 48% as compared to the prior period.

China

The Group's expansion into the China market is proceeding rapidly. In mid-April 2002, the first ~H₂O+ retail outlet opened in Shanghai, and its initial sales results have outpaced the Group's expectations and industry norms in Shanghai.

The Spa Business

The Group's spa business results showed some signs of weakness in the period under review, due in part to the uncertain economic conditions and a resulting drop in spending from Hong Kong's middle income group. The Spa business is running at virtually breakeven, although signs from the April and May results are encouraging for the future.

OUTLOOK

In addition to addressing the challenges of the economic slowdown head-on, the Group's management has made solid progress against the business expansion objectives outlined in the Company's prospectus dated 27th February, 2002 (the "Prospectus") at the time of listing. Management has also uncovered additional ways to accelerate the Group's growth and capture more beauty sector market share. Some highlights include:

- In addition to the Shanghai ~H₂O+ retail outlet, more outlets are slated to open in major cities in China. Retail growth in China has been accelerated by the addition of prime locations within selected department stores;
- In order to capture the mass sector of the spa market, the Group has developed a new Oasis Beauty Centre concept, of which three locations are under construction now. Management expects them to begin contributing to the revenue stream shortly;
- In an exciting new development, the Group will reach the top end of the spa market by opening a prestigious Banyan Tree Spa in Hong Kong. Under the terms of the recently signed Memorandum of Understanding ("MOU"), the new spa will be owned by the Group and operated by the Banyan Tree Group;
- In a continuous effort to diversify the Group's business, the Group has introduced a line of health drinks since last year with satisfactory results. The Group is now sourcing a wider range of health supplement products as well as distributing channels.

~H₂O+ Retail Business

A key business objective identified in the Prospectus is the use of proceeds to help the Group rapidly expand its ~H₂O+ retail presence in China, with 10 new locations planned to open in the first 12 months after listing.

As noted in the Prospectus, one of the risk factors associated with the Group's expansion in China is the need to obtain relevant government approvals and licenses. Progress in securing the necessary product registrations was slower than anticipated. As a result, the opening schedule of new ~H₂O+ retail outlets was delayed, and the China retail business did not make as large a contribution to turnover as anticipated.

The approvals needed have now been secured, and in addition to the first ~H₂O+ retail outlets opened in Shanghai in April 2002, 3 more have been added in Beijing to date, with a total of 17 now planned for the calendar year 2002. Because of positive consumer response to the counters in department stores, the Group is rolling out its China retail presence more quickly than noted in the Prospectus.

The Spa Business

Management has made solid moves to ensure that the Group is now well positioned to drive revenue from all sectors of the spa and beauty business: top, middle, and mass sector consumers.

The MOU signed with the prestigious spa operator Banyan Tree to open locations in Hong Kong will allow the Group to capture the upper end of the market. In the Prospectus HK\$8 million was allocated for spa construction; it is these funds that will be used for the Banyan Tree in Hong Kong.

The Group's established Oasis Spa business services will continue to serve the middle segment of the market.

The Group will soon offer an option for the lower, mass sector of the market, with the launch of the new Oasis Beauty Centres. The Oasis Beauty Centre concept has been under test for more than nine months in Hong Kong inside ~H₂O+ retail locations, and the results have proven the business effectiveness of the concept before any significant capital expenditure is made. The Oasis Beauty Centres will offer a select range of treatments with high consumer demand, such as facials and slimming, as well as selling beauty products. The Oasis Beauty Centres offer a smaller range of treatments than what is available at the Oasis Spas, and they will also require less space and costs to operate.

PROSPECTS

The Group's prospects are positive, and Management is acting decisively to take advantage of new opportunities in the marketplace, as well as addressing weaknesses arising from external factors affecting the Group's performance. The difficult trading environment in the Group's two current markets of Hong Kong and Taiwan, as well as temporary delays in bringing revenue on stream from the China operations, are being offset by anticipated revenue from new initiatives and an even more aggressive rollout of retail locations than originally outlined in the Prospectus.

As a new member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group is making good use of 2002 to build a foundation for future growth, even while experiencing a challenging retail environment. Management has successfully delivered strong progress against the objectives outlined in the Prospectus, and developed new lines of business using the Group's core brands as well as finding new partners and sales channels.

It is expected that the prospects for the coming years will remain bright, with continuing potential for further dividends and capital gains.